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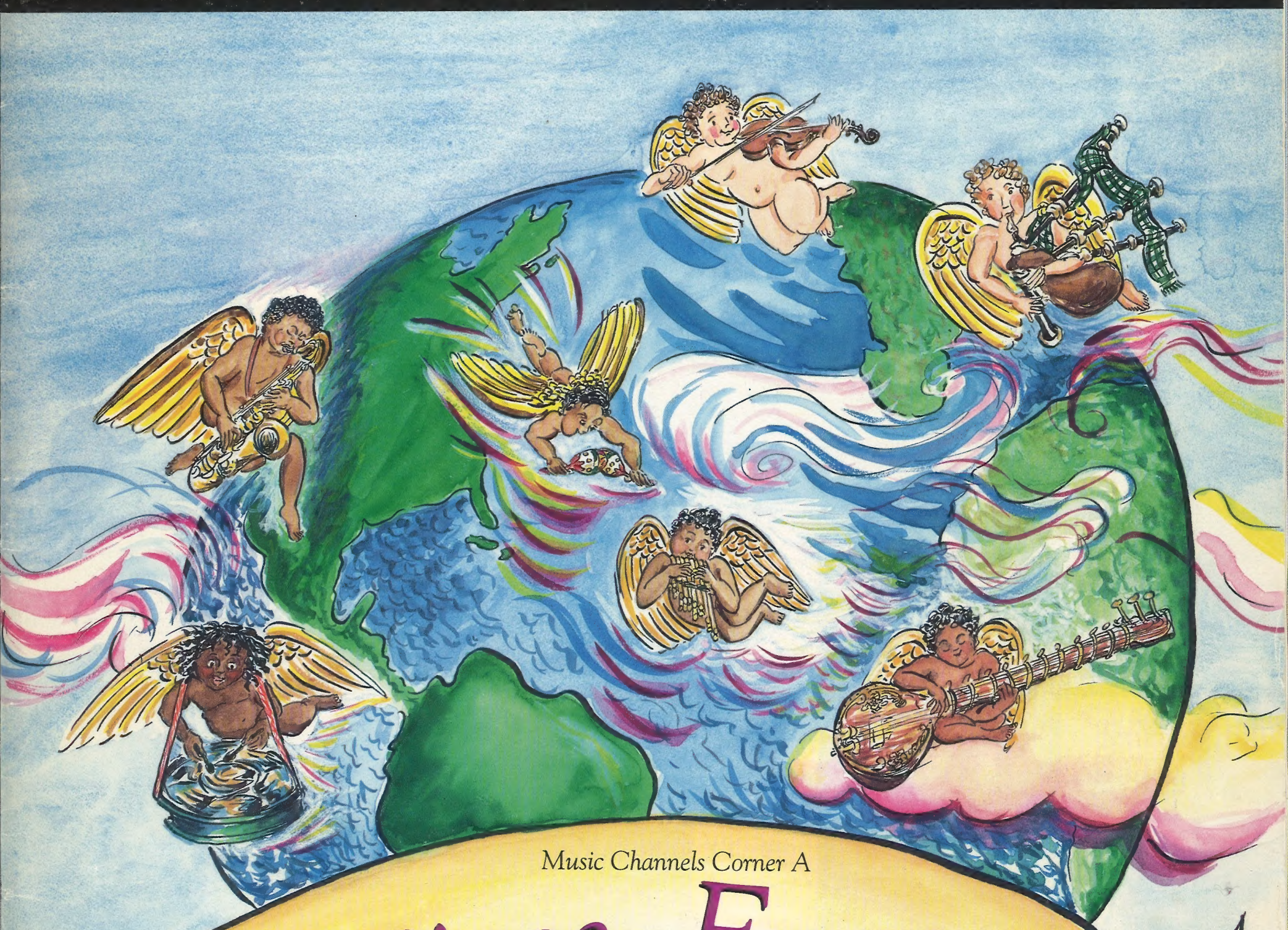

Music Channels Corner A

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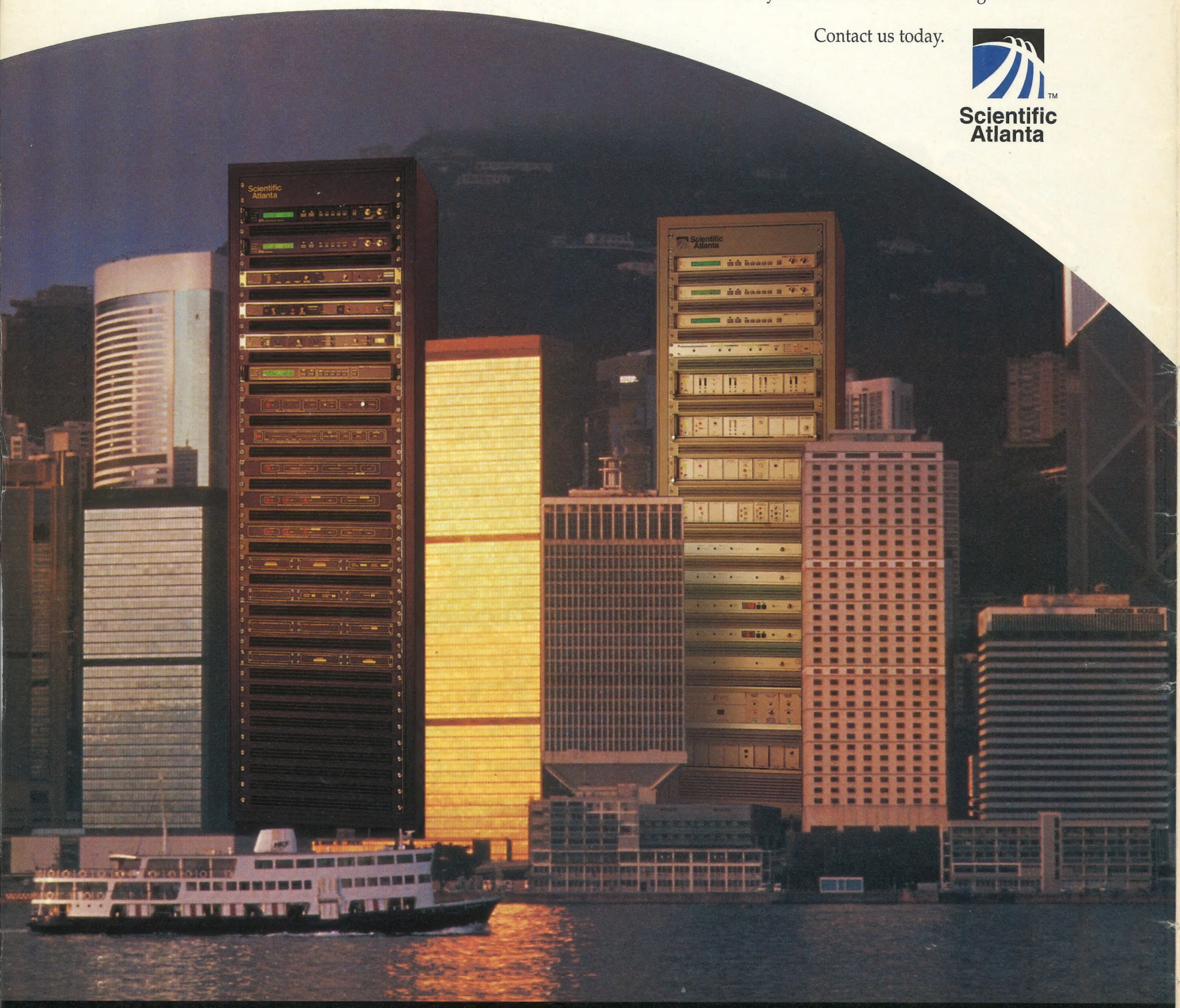

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Fax: 1-404-903-5375

Australia
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United Kingdom
Tel: 44-923-266-133
Fax: 44-923-269-018

*distributor

Multichannel News
INTERNATIONAL

EDITOR Janet Stilson (212) 887-8469

EXECUTIVE EDITOR William Mahoney (44) 171-430-0881

MANAGING EDITOR Carol Jordan (212) 887-8388

NEWS EDITOR Andrew Grossman (212) 887-8387

TECHNOLOGY EDITOR Leslie Ellis (303) 393-7449

ASSISTANT MANAGING EDITOR David Cohen (212) 887-8495

EDITORIAL CONTRIBUTORS
Owen Hughes Hong Kong
Christopher Johnston London
Miguel Smirnoff Buenos Aires
John Glover Milan
James Careless Ottawa

DESIGN DIRECTOR Irasema Rivera (212) 887-8477

ART DIRECTOR Jeffrey Ritchkoff (212) 887-8460

DIRECTOR, INTERNATIONAL SALES & MARKETING William H. Jennings (212) 887-8582

GROUP PRODUCTION MANAGER Julie Jacowleff (212) 887-8588

CIRCULATION MANAGER Maria Gottlieb (212) 887-8565

DISPLAY AND PROMOTIONS COORDINATOR Elaine Sturgis (212) 887-8372

OFFICES
London
Imperial Buildings, 56 Kingsway, London WC2B 6DX
England (44) 171-430-0881 FAX (44) 171-404-5455
New York
825 Seventh Avenue New York, NY 10019
(212) 887-8400 FAX (212) 887-8384

MULTICHANNEL NEWS
Vice President, Group PUBLISHER William McGorry (212) 887-8544

PUBLISHER Lawrence W. Oliver (212) 887-8515

EDITOR Marianne Paskowski (212) 887-8396

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WHAT'S INSIDE

FEATURES

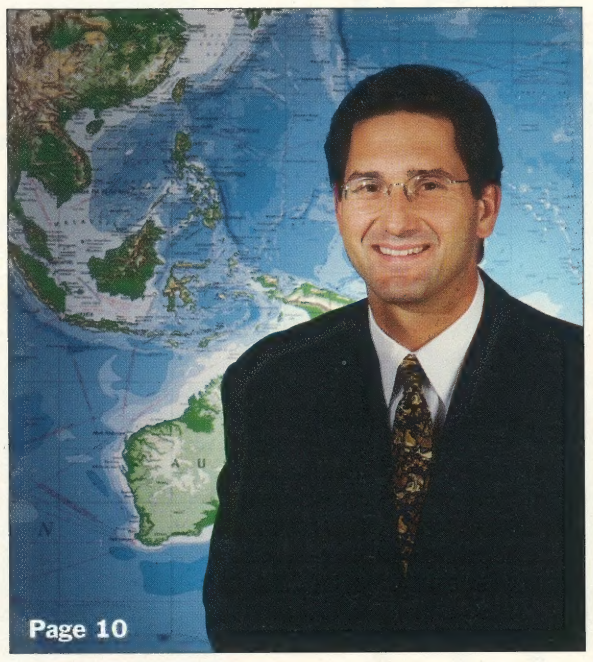
6
Argentina's Cash Crunch
Operators in Argentina are riding some high waves these days, with new competitors and financial challenges.

COVER STORY
8
Rock 'n' Rollout
From Ya TV to Sun TV, over 60 music channels are circling the earth these days. And there's no signs that they'll slow down soon.

10
China's Great Cable Wall
Operators and equipment suppliers are making inroads in China — but their views of the market run the gamut.

18
Germany's Techno-Giant
Siemens AG reorganized its businesses in order to feed the world's hunger for telecom technology even more aggressively.

28
Italy Invigorated
The last of the Western European markets to emerge as a pay TV player is moving forward quickly. So is Telecom Italia.



COLUMNS

3
World Watch
Branded channels are coming out of the woodwork everywhere.

4
Through The Wire
A South African stiffy, Playboy's taxi power and Chua in a rumpus.

4
Global Gringo
Jett Lagg's germs come back to haunt him at the MIPCOM market.

26
By The Numbers
Charting out the intricate alliances between Pacific Rim networks.

38
Forum
VCC's Samuel Liberman maps out the exciting work ahead in Argentina.

50
One On One
Gary Ames talks about his plunge into the global fray at U S West International.

ALSO OF NOTE

Classified Ads 44
Rogers' Image Makeover 46

World Watch

THE BRANDED BUNCH

BY JANET STILSON

If truth be told, Edith Piaf is the only person that I have ever run across that *ne regret rien*.

I certainly regret that I haven't learned at least five languages. Time Warner will probably always regret that one of its ancestral kin, Warner Amex Communications, sold off MTV: Music Television. And several Hollywood entertainment studios are probably still kicking themselves for not wrangling equity stakes in the premium movie-channel business in the United States before Home Box Office gained such a stronghold.

But thanks to that ol' devil fate, things have a way of metamorphosing. As our cover story discusses in detail, the international music channel business is part of the game plan for now at Warner Music and its record-company counterparts.

International has picked up a little of the U.S. slack for some of the studios, as well. As I've swung from one continent to another in recent months, studio-branded channels seemed to come out of the woodwork everywhere.

Sure, Fox started branding its channels a few years ago in the U.S., and The Disney Channel goes way back. But now there's Sony Entertainment Television's (SET) channels in India and Latin America, MGM Gold in Asia, Paramount just up and running in the U.K. and WBTV — The Warner Channel in Latin America.

News Corp. is further exploiting its Fox name with general entertainment channels overseas and — thanks to new deals with Liberty Media and Saban Entertainment — with sports and kids channels as well.

Disney is also picking up speed, with planned or operating networks in the U.K., Australia, Taiwan and India. Its Super RTL joint venture in Germany is likely to be renamed Disney, and sources say Italy and France are top priorities for the company as well.

"When I took this job three years ago, if you'd asked me if MGM would start its own network, I probably would have said, 'Not anytime soon,'" confided Gary Marenzi, president of the MGM/UA Telecommunications Group. "But now it's possible to be in that business without too much of an investment."

The branding bonanza isn't just a result of all of the new distribution windows that multichannel television has brought to markets around the world in recent years.

Marenzi notes that no matter how good a program salesman you are, there's always some library product that hasn't been exploited by existing networks, "and if prudently managed, you can rise with the tide."

All this hasn't necessarily made the going rougher for companies like HBO overseas. It has equity backing from studios in both Asia and Latin America, and HBO Olé is also allied in two studio-branded services, SET and WBTV.

Similar equity and/or distribution alliances are likely to continue. For example, both HBO and Filmnet are in the process of negotiating studio equity deals for channels in Central Europe, as executive editor William Mahoney reported recently in the weekly *Multichannel News*.

Where it will all end is anybody's guess. But personally, I'm hoping to watch the Miramax Channel in Mandarin someday, or the Castle Rock Network in Italian. And if fate works some magic, I'll understand every single word.

Through The Wire

So What If Playboy Stops Taxis? ESPN India Is Fighting Crime!

Bookmobiles, step aside: J.K. Jain's trucking TV programs directly to the rural masses in India.

The hyped-up, overly dramatic world that India can often become was present and accounted for in some paid advertorials by ESPN in *The Times of India* on the day that ESPN India launched there. One article began with the news that the Bombay police commissioner "reported a sharp fall in crime," and went on to say that, "in a sensational case," police nabbed a boat with 28 kilos of illegal glucose biscuits. "Interrogation revealed that **the contact in India completely forgot about the landing of the consignment,** as he was glued to the new 24-hour sports channel, ESPN."

Meanwhile, in Hong Kong, Playboy movies are having some interesting ramifications as well. Staffers at the Wharf Holdings Cable TV system have been known to grumble about the boondocks locale of the main facilities, where taxis are as rare as snowfall in the tropics. However, some have noted with surprise that late Wednesday evenings, the road in front of Cable TV's entrance was chockablock with cabs. Turns out that **the cabbies were watching some particularly raunchy Playboy movies** running on the bank of monitors in the lobby. Cable TV executives decided to stop transmitting the service, and before you could say "G-string," the supply of cabs dropped to a trickle again.

But Hong Kong's hardly the only place where porn programming pays off in interesting ways. At the recent European Cable Communications '95 show in London, two new services, The Fantasy Channel — Television X and the U.K. Playboy Channel, had small stands in the back right across from one another. Between the live and taped performances at the stands, **traffic of gray-haired men in dark suits couldn't have been heavier** on that part of the floor.

Here's a news flash on the job-hunt front: Bill Simon, managing director of worldwide entertainment at head-hunting firm Korn/Ferry International, reports that he's been staffing up in Europe in recent months to handle the **huge increase in demand for talent there.** "I suspect we're not the exception" among headhunters in experiencing the European surge, he adds.

Bill Simon notes a job-hunting surge.

India's J.K. Jain may have lost a berth on a satellite to transmit his Jain TV channel in September. But **Jain's got a new scheme up his sleeve.** Not only does Jain say the channel will be back in operation shortly, but he's dispensing some 150 trucks across the subcontinent equipped with giant TV monitors and satellite dishes. In the past, Jain used such mobile units to spread messages for politicians, but now he says the army of trucks will bring commercial television to the rural masses — where TV sets are a luxury. The ultimate goal is to have a truck in each one of the country's 550 districts.

This year's massive Telecom '95 technology event in Geneva will be remembered by executives for sweating discomfort, but the kind of steam a *Multichannel News International* reporter thought he encountered was a bit out of place. A woman employed at South African telecommunications company Vodacom offered our reporter some background she had written on the company's services. She then asked, "Do you have a stiffy?" Stunned, he replied, "No, I'm just sitting here typing." She shot back, **"Are you sure you don't have a stiffy?"** The reporter said, "No, but I can get one if necessary." Later, it became evidently clear that she was using the term differently than *Beavis and Butt-Head* often do — she was seeking a 3 1/2-inch computer disk, known to her in South African slang as a "stiffy." That's as opposed to the more flaccid 5 1/4-inch type.

China Entertainment Television head **Robert Chua was caught up in an international rumpus** recently. An article in British weekly *The Spectator* stated that Chua allowed Chinese dissident Harry Wu to use CETV's offices to pedal a video about his detention. But Chua denies it completely. "CETV runs entertainment, certainly not politics," he sputtered, but he couldn't help adding, "Besides, if there was any money to be made out of a video, do you not think I would have kept it for myself?"

It's hard for us not to tweak Richemont SA a bit. The company is well-known for making some of the finest watches in the world, including those under the Cartier and Piaget brand names. But when Richemont-backed technology company Irdeto Pay TV Systems made some watches with its logo on them, they were pretty routine freebies. It's not like we expected them to be Cartiers or anything, but the watches didn't even have the famed Swiss movements — they're powered by Japanese mechanisms.

Finally, we never can resist an opportunity to share our latest travel tip. Camilo Bernal, an affiliate sales manager for Discovery Channel Latin America, advises everyone to **appreciate the importance of dirty laundry on the road.** It may get a little rank, but it's a great way to pack fragile gifts for the familia on the return leg home.

—By Janet Stilson and William Mahoney

Germ Warfare

Chances are you've been hit with a cold or a minor case of the flu while traveling. It's no fun, but when combined with obnoxious clients and miserable business partners, you can be writing yourself a prescription for a global catastrophe.

Two weeks before the MIPCOM program market in Cannes, I was sent on a worldwide business development junket that became full-fledged germ warfare by the time I reached France.

It serves my competition right! They thought they'd be able to poach some of our most prized and trusted clients at the Palais. Well, thanks to my cross-cultural contamination, I inadvertently caused a sick-out at this year's convention that caused the competition to lose sleep and nearly caused me to lose my job. Not bad for a guy who thought a Stairmaster was a domestic servant.

Let me fill you in on a few tips about how to harness nature's discomforts into an arsenal of anticompetition weapons that Saddam Hussein himself would be proud to own. The human body is truly an amazing factory of toxins, which, if used in the proper fashion, can be more deadly than a few cable operators I know at an open-bar reception.

Now I've got to mention one important consideration upfront. Never attempt what I pulled off last month unless you're absolutely certain that your company has officially galvanized your well-being with Medical Evacuation Insurance.

> It was excruciating to sit still for more than a nanosecond, so I bounced from cheek to cheek as I attempted to listen to my hosts' every word.

This policy rider is a must for daring corporate hot tickets like me. And it will get you med-evaced out of the world's most despicable environments just as if you have diplomatic status with the Palestine Liberation Organization and you took a bullet on the West Bank. I mean, they're actually supposed to dispatch private jet aircraft with Swedish nurses to your rescue when any malady becomes life-threatening.

Anyway, here's what happened. It turns out that, unbeknownst to me at the time, I started the trip with what medical buffs call a deficient immune system. I boarded a flight for Taipei after attending a "corporate retreat" in Palm Springs, Calif. In retrospect, I'm not quite sure if it was the motivational speakers at the conference or the grain alcohol from the nearby Indian reservation that put me under.

One thing's for sure: I can tolerate a bellyful of 120-proof jet fuel more than I can stomach a 90-minute corporate bonding speech.

I got to Taipei with a throbbing sensation in my head. Once I gulped a few cubic meters of the Taiwan air, I knew I was in for a nuclear nasal meltdown.

If you haven't vacationed in beautiful Taipei, then you can't appreciate the absolute thrill of snorting some of the world's most filthy air. It's a well-known fact that over the last 20 years, mainland China has been building enormous chemical-treatment complexes and oil refineries along the coast in a concerted effort to choke Taiwan into political submission. This ecological brinkmanship hasn't yet worked on the Taiwanese, but it knocked me flat out!

It was a good thing that I was staying at the Grand Hyram Hotel. I'm a "Gold Passport" holder, which entitles me to free coffee every morning and one complimentary visit to the house physician. I knew I was headed to hell when instead of univer-

Continued on Page 45

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As financing slows, churn grows and new competition steps in, Argentina's resourceful cable industry is dancing an intricate tango.

Argentina's Cash CRUNCH

By MIGUEL SMIRNOFF

It has been a rough year for the pay TV industry in Argentina. One of the darlings of overseas investors until recently, the business found itself squeezed by a credit crunch caused by ripple effects from the Mexican peso devaluation. Adding insult to injury, systems were bruised by high churn rates and payment defaults.

The ambitious growth plans of 1994 had to be temporarily shelved, and day-to-day operation became the most important issue for cable companies.

"Argentina is on the verge of very complex decisions," comments Greg Bicket, chief executive of large Argentine MSO Cablevisión and of the Argentine unit of Tele-Communications International Inc., which has invested in the company.

Bicket notes that in addition to the economic problems, there is a very distinct possibility that operators may soon be able to enter the telephony business. And that involves a whole different set of questions. "The operators face the dilemma that U.S. operators are considering: Do I releverage? Get deeply into debt and enter the telecom era? Or ride the last years of the pretelecom era?" he notes.

However, such ponderings are not expected to put much of a damper on the industry's national cable show, Jornadas ATVC/CAPER, which takes place Nov. 19-22. Grown out of nothing a few years ago into the largest cable exhibition and conference in Latin America, the confab attracted some 16,000 participants last year, with about 150 companies showcasing programming and hardware.

"There will be less money to spend on booth decoration, and booths will be smaller," predicted an industry executive who asked to remain unnamed. Some frills, like free food, may be gone.

But the market is still there. The saturation point for Argentina has been estimated at 6.5 million households, a hefty 30 percent above current levels. This should be reached by the year 2000, according to local projections.

More immediately, aggressive marketing campaigns currently under way are expected to move the country's subscriber base slowly toward the 5 million mark by year's end — some 200,000 subscribers less than previously projected, but growth nonetheless.

The lowered expectations are largely a result of high churn rates in overbuilt areas, where smart guys are jumping from one system to its competitors to enjoy free subscription rides.

There are indications that 1996 will return the industry to a faster track. Direct-to-home services from companies like Galavisión, Galaxy Latin America and the TV Globo and News Corp. alliance, which will start to emerge in the first quarter, are expected to lure more rural households to pay TV.

There are 1.6 million rural households out of the reach of cable and some 3 million urban homes passed that have not subscribed.

And while local pundits predict that DTH will start off slowly, with around 50,000 early adopters expected to buy dishes during the first 12 months after the official launch of one or more of the full-scale DTH projects, wireless could also pick up some cable slack.

Multichannel multipoint distribution systems are expected to finally take off in areas adjacent to cities, after several years of bright promises but few results.

While the new DTH and wireless competition is not particularly good news for hardwire cable operators, it is expected to draw attention to subscription television in general among consumers.

For the international cable networks targeting Argentina, the coming months promise to be mostly business as usual — working in an environment of stiff competition. Sony Entertainment TV, WBTV — The Warner Channel, Ya TV, The Family Channel, CMT: Country Music Television and The Box are just a few of the new arrivals in Argentina.

The cable TV structure in Argentina makes it particularly tough for the services. Most systems offer only a basic package, which encompasses everything from HBO Olé to classified ads on screen. And one of the arguments from systems that networks are most likely to hear is, "We have no more capacity for new channels" — meaning that somebody has to be dumped in order to make room for new arrivals.

But that's not necessarily true. In many cases, the full-capacity argument appears to be more defensive than logical. It is true that most systems are filled to capacity, but many of their channels are devoted to fare that no one requested or that lacks sizable ratings.

LOWERING COSTS

Local analysts see a trend toward lower programming expenses at systems — which generally devote more of their budgets to software than their American counterparts. On average, Argentine systems spend about 25 percent to 35 percent of their revenues, while U.S. systems spend between 15 percent and 20 percent. But in Argentina, most of the expense is concentrated in a few channels, while others are given away free-of-charge by their producers. And most cable systems — including an occasional MSO — have yet to reach the stage of marketing where it pays to offer more expensive programming in order to create brand recognition.

The most sensible thing to do, analysts suggest, is to break down the current flat-price offering — which, in some cases, amounts to 65 channels — into a basic package and upper tiers. That's been on the minds of industry experts for years now.

The major MSOs are expected to lead the way to tiering — since they account for some 40 percent of the market, there is critical mass enough to force others to follow suit. But there's still a great deal of resistance to the idea among many cable operators. They reason that such a package would need to be sold at a lower price than current levels, and that might reduce total revenues.

There's another rub: Premium channels require investing in equipment, be it a $10 trap or a set-top converter box, with prices ranging between $60 for a refurbished unit and $200 for the latest technology.

And operators have figured out that few customers will be willing to pony up the money needed for the high-end equipment. Financing it requires talking to banks, which have been spending their time solving internal problems and have had little interest in lending money to an industry that doesn't look like a cash cow during the country's current hard times.

The $10 solution is good for one shot, and that's what many systems are doing. They're picking up on a scheme introduced by Torneos y Competencias, the sports production company headed by well-known entrepreneur Carlos Avila and backed by Tele-Communications International Inc. Subscribers can pick up additional soccer games — telecast on Sunday afternoons — for another $8 per month. In the

Continued on Page 34

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Rock 'n' I

COVER STORY

The whole world has tuned into the music video channel boom — and music television doesn't just mean MTV anymore.

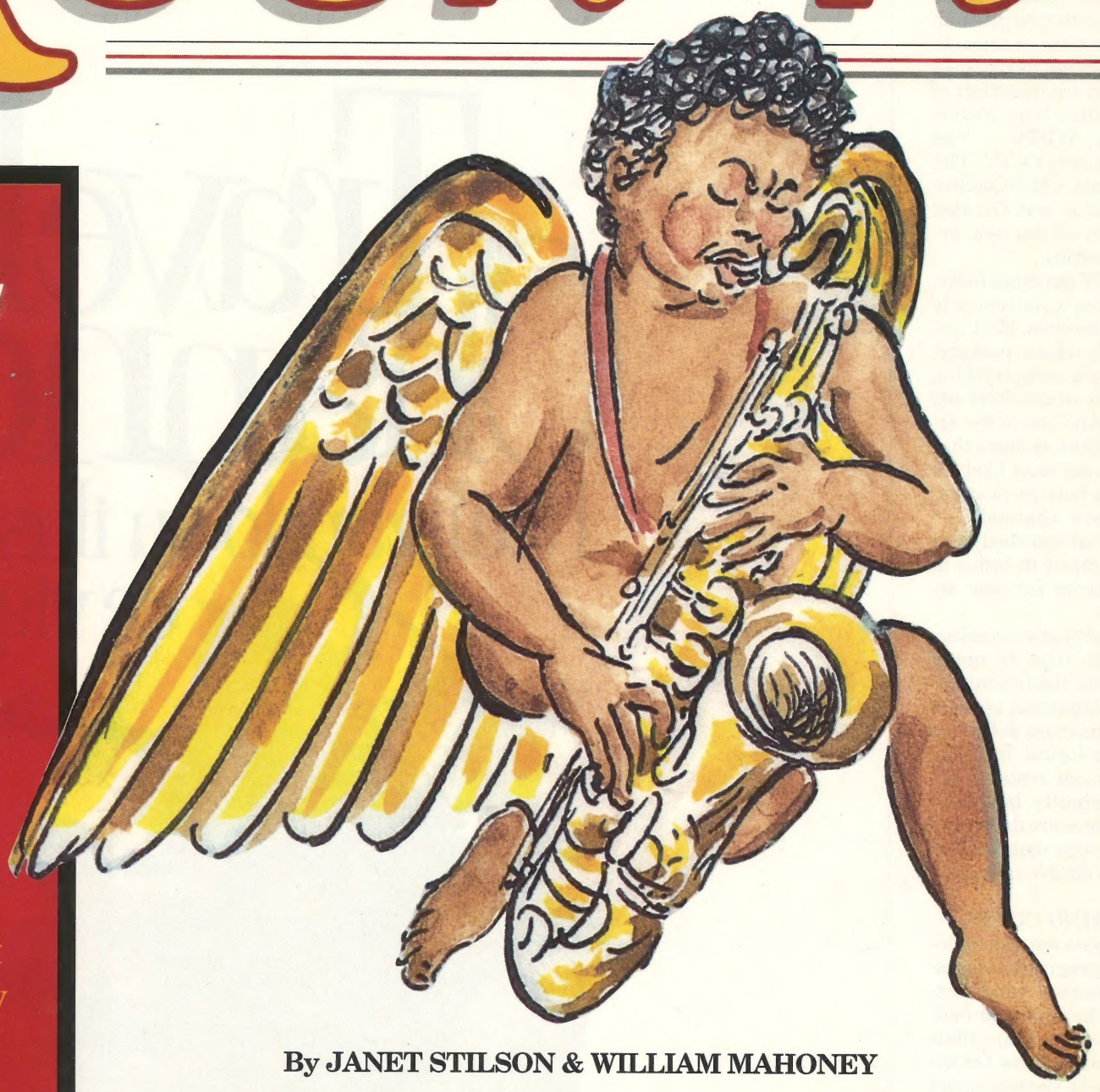


ILLUSTRATION BY MADELINE SOREL

Argentine model and Ya TV host Barbara Durand.

By JANET STILSON & WILLIAM MAHONEY

It could be said that MTV Europe is to international music channels what David Bowie is to rock 'n' roll. It's become a sort of hip elder statesman in a chorus comprised of around 50 music channels that specialize in everything from karaoke to salsa. Add in the channels targeting the United States, and the number soars past 60.

Few niche networks have created such a prolific, mega-decibel stir as music channels in recent years. And few can match the level of activity expected from the genre in the near term. Close to one dozen are expected to join the world tour before long.

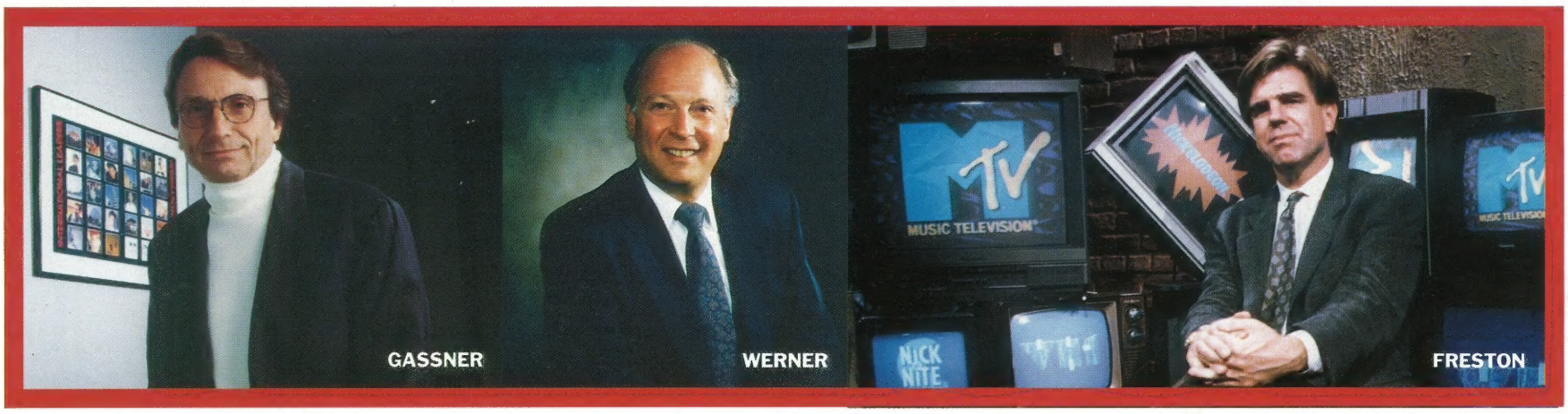
In speaking of the flood into the genre, MTV Networks Inc. chairman Tom Freston comments, "I don't know if I'd want to be coming in a lot later than now." In Germany alone, he notes, there are at least five music channels. "I think the fifth one plays German marching music."

It doesn't take too many postcards from the edge to sense the beat.

On the streets of Buenos Aires, some of the record studios that are trying to checkmate MTV's control of the business have been throwing some curves in recent months — Barbara Durand's curves, to be precise. The Argentine supermodel has been keeping the paparazzi clicking as she tapes segments for her new series destined for HBO Olé's new Ya TV channel. Cindy Crawford: Move over.

Meanwhile, in Singapore, BMG International's one-time senior

Rollouts



vice president Peter Jamieson is recasting MTV's Asian image big-time — adding a whole new channel specifically for India and decentralizing the production facilities into a host of Asian media hubs.

In nearby Hong Kong, Star Television managing director Gary Davey says he's planning the spread of his Channel V concept to the far reaches of the globe.

In the Middle East, Saudi Prince Alwaleed, one of the wealthiest, most shop-happy corporate investors in the world, has been concentrating on a pet project of his own: a music channel for his partially owned Arab Radio & Television direct-to-home satellite group, which is now in its formative stages.

And in Helsinki, broadcast station MTV3 has set up shop in a storefront to launch its own version of the Canadian born-and-bred MuchMusic channel, incubating the service with about 16 hours of airtime in a given week.

Needless to say, all of the activity isn't happening because a lot of aging hippies are trying to hang on to the vestiges of youth.

MTV and VH1 in Europe "offer one of the few channel types that can genuinely provide a targeted audience of 16- to 44-year-olds. And the wastage — people that fall outside that bracket — is limited to 10 percent. No other station can offer that kind of profile performance," comments Adam Smith, head of publications at London advertising agency Zenith Media.

Advertisers and operators are also attracted by the universal-language factor.

"Music is instantaneously understood, even if you don't understand the words," notes Lloyd Werner, who oversees CMT: Country Music Television as executive vice president of Group W Satellite Communications. That service has dug its spurs into such diverse countries as Brazil, Japan and the United Kingdom, and with the digital package of DTH channels starting to emerge around the world in the next few years, Werner anticipates several other localized versions of the channel — and some 50 million subscribers outside of the United States — by the end of this decade.

Executives also note the huge segments of the population bases in the Pacific Rim and Latin America that fall into the lucrative youth demographic. "Half of the 3 billion people that live here [in Asia] are under 25," says Davey.

In addition, there's an emotional element to consider. Paul Vidich, senior vice president of strategic planning and business development at Warner Music Group, notes that "a large part of the population has a lot of passion for [music channels]."

But perhaps of even more critical importance, Vidich notes that "it costs a lot less to operate music channels than a lot of other types of channels. They can survive in markets where the numbers are still relatively modest."

That doesn't necessarily mean that the returns are as good as they are Stateside. Music channels outside of the U.S. "take longer to break even, and the margins aren't as high. But they're good business nonetheless," comments Freston.

He should know. MTV Europe is among a scant few — if any — music channels beyond

Continued on Page 40

Channel V video jock and recording artist David Wu.

China's Great Cable Wall

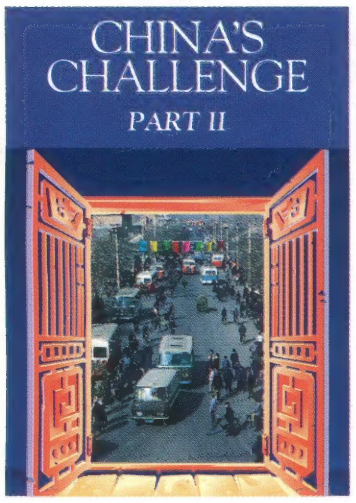
Exactly how much overseas cable business is getting done in China? That depends on who you talk to — and when they entered the market — as this second installment in a three-part series on China reveals.

By OWEN HUGHES

Assessing the numerical and financial potential of mainland China from the point of view of overseas cable systems or equipment suppliers can reduce observers to a state of awe.

Whether it's United International Holdings and its microwave relay system in central China; Time Warner Cable and its agreement to help design and construct portions of the 800,000-subscriber Beijing Cable System; or U.K. Cabledata's assessment of the market for its subscriber-management systems, there are few in the cable and telecommunications industries that won't tell you how big a market the world's most populous nation can be.

As these three outfits are currently demonstrating, there is a market in China for sophisticated technology. The Chinese government has a plan to eventually cable the entire nation of 1.2 billion people. And according to Jiang Cheng, an official at the influential Ministry of Radio, Film and Television, the number of cable households could grow from a current level of 30 million to between 70 million and 80 million by the end of the century.



Telecommunications strategist Xie Linzhen of the Ministry of Electronic Industry told delegates at September's Beijing Cable Show that by wiring Chinese homes so that they could receive both television and telephone signals through a single coaxial cable, the market could grow into a 100 billion yuan ($12 billion) industry annually by the year 2000.

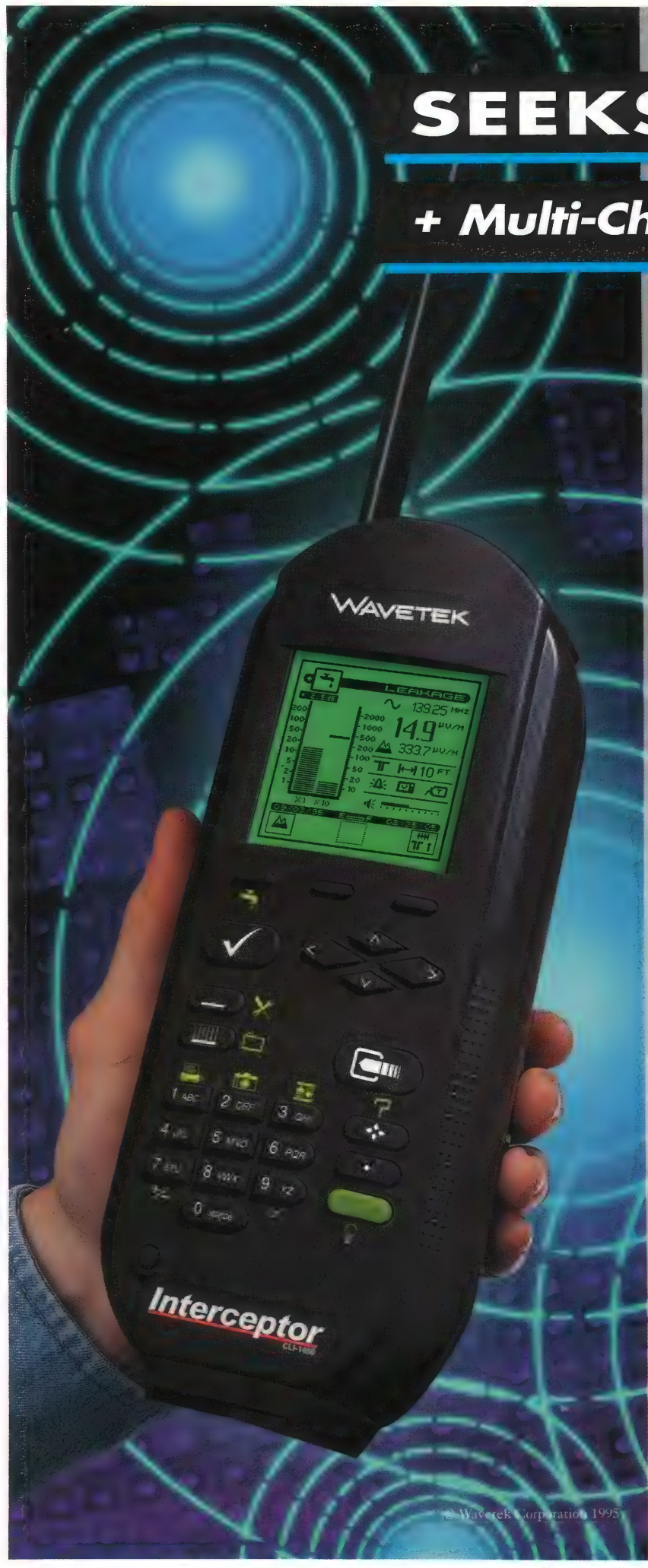
But whether or not the market will become profitable for overseas companies is a question that has not been answered fully either by the Chinese or by the foreign companies that want to do business with them. And views on what's been accomplished so far range the spectrum from bleak to optimistic.

UIH's Mike Fries, president of the company's Asia-Pacific unit, says, "There is so much opportunity, and we feel we have a toehold investment that gets us close to the market."

While some equipment suppliers also offer bullish assessments of the mainland, a Hong Kong-based hardware distributor who feels that it's prudent not to give his name reports: "Over the last two years, [Chinese companies] have sucked enormous amounts of equipment away from us for zero return because they do not have any money. It is an exciting opportunity sometime in the future, but not now."

A Hong Kong-based media analyst involved in assessing the systems business adds: "China is not an area we focus on. In mid-1992, we did some work for some leading American telecommunications companies, and found that the market was very, very difficult. It is not something that you can ignore, but it will not be a quick payback, no matter what anyone is saying now."

Cable TV's history in China begins in the 1960s, when *danwei*, or work units, set up private systems for their employees in agricultural communes and factories. According to Susan Schoenfeld, president of Hong Kong-based Advisors for International Media, these systems were often incompatible and technically inconsistent.



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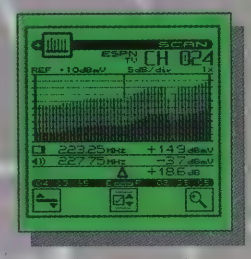

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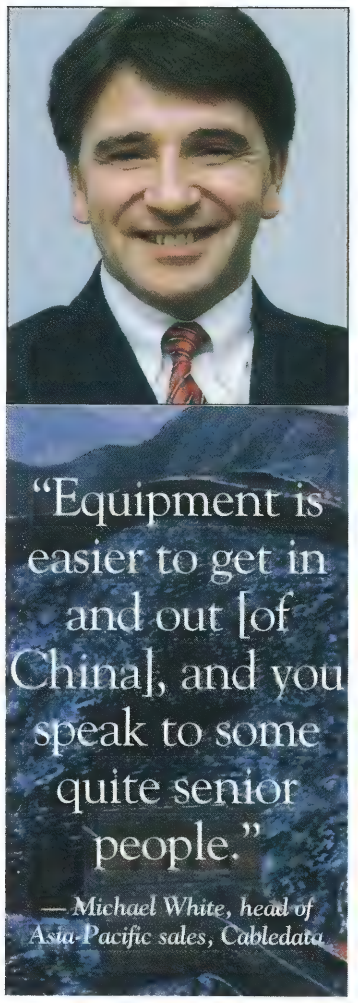
By 1988, the government began to rationalize these systems into larger entities by using coaxial cable and headends to create urban networks for broadcasting state and provincial programming.

However, the government became concerned when systems started picking up channels from Hong Kong-based Star TV in 1993. The network group's unscrambled channels have transponder capacity on AsiaSat 1, the same satellite as the state-run China Central Television (CCTV) network. And that resulted in a government campaign to license all dishes in private hands, which had the de facto effect of banning them.

The edict was the first part of a plan to build cable TV systems that could be overseen by the state. The idea was to avoid the near-anarchy of private cable-system building in Taiwan and India and — more importantly — to ensure that the state controlled programming content, according to Schoenfeld.

In 1993-94, 1,641 cable licenses were issued, but it was soon apparent that many provincial, regional and municipal authorities were interpreting the licensing conditions as they saw fit. The result was the April 1994 Regulations for Cable TV Management that set guidelines for the building, management and financing of the systems, as well as for the acquisition of programming, technology and equipment.


"Equipment is easier to get in and out [of China], and you speak to some quite senior people."
— Michael White, head of Asia-Pacific sales, Cabledata

Foreigners were banned from operating, investing and managing the systems, according to the letter of the regulations.

Yet despite the draconian letter of the law, it soon became clear that there was, and still is, a significant amount of overseas involvement in Chinese cable systems — an involvement that flies very near the edge of the rules and, in some cases, right over it. As Tele-Communications International Inc. president and COO Adam Singer remarked about the regulatory framework, "Things are not always what they seem."

In a few choice instances, agreements between foreigners and some systems that were in place before the new cable regulations emerged have, in essence, been grandfathered.

For example, Hong Kong's Wharf Holdings, parent company of the British colony's Cable TV venture, constructed a cable system in the central Chinese city of Chengdu and began operating it in 1993 — and it continues to do so.

And in the coastal city of Wuhan, near Shanghai — a Special Economic Zone with a different tax system to encourage growth — there is a 20-channel cable TV system currently serving 250,000 households that is managed by Hong Kong's CIM Group. That company also owns the two-channel China Television Network concern and, until recently, it owned Hong Kong liberal newspaper *Ming Pao*. All told,

Continued on Page 14

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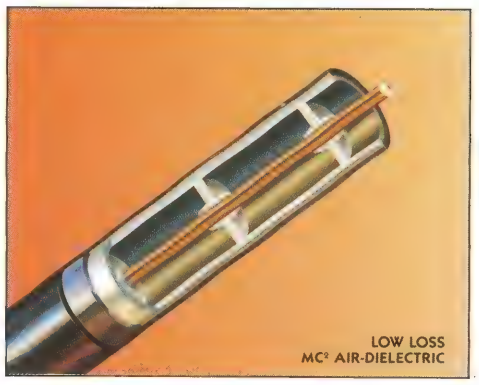

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China

Continued from Page 12

CIM and the city of Wuhan have jointly invested some $6.4 million in the venture.

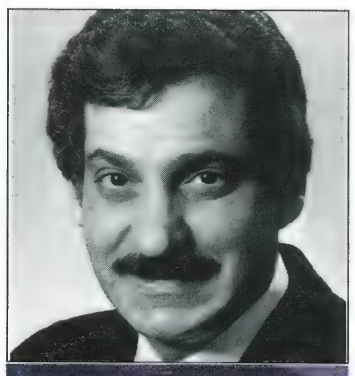
CIM senior director Michael Wong admits that the joint venture with the Wuhan municipal government had been subject to "some pressure" after the 1994 regulations were published. But the operation had been unaffected because "we were running before the new rules came out."

He is clear about CIM's role: Acting as consultants, they built the system, and they now manage it. But Wong admits that the vagaries of Chinese policy make it unclear whether his company will be allowed to run the system forever.

He is confident that subscriber numbers will reach 600,000 households by 1998, with each household paying $1 a month. The interest of the Wuhan authorities was the key behind the success of the venture, Wong says. "They put cable TV as a priority; it was one of 20 big projects they formulated three years ago.

The point is clear: Despite the letter of the 1994 regulations, they are in effect being ignored in Wuhan and Chengdu because it suits the needs of the respective local authorities.

The influence of local municipalities has also been perceived by Jeffrey Schwall, president of international at Time Warner Cable, a company that has so far limited its activity in China to a joint venture with Beijing Cable TV to design and construct the system, which is expected to be one of the largest in the country.



"We are selling millions of dollars worth [of equipment] through authorized Chinese trading houses."

— Horatio Egnoto, vice president, international, General Instrument Corp.

Schwall was part of a delegation of cable executives, primarily from the United States, that visited China in September. It was organized by citizen ambassador program People to People International and spearheaded by Robert Alter, a former senior advisor to Star TV and former head of the U.S.-based Cabletelevision Advertising Bureau.

While Schwall is far from a newcomer to the Chinese marketplace, he said the trip in September did yield some new information about how the market is evolving.

Officially speaking, there has been no policy change. But choosing his words very carefully, Schwall says: "What we picked up was that the government is considering ways to allow or encourage foreign participation in investing in cable networks. People in various municipalities are talking about ways to structure projects that comply with policy, but allow for some participation."

Other American cablers are watching closely for policy change as well. Right now, Denver-based UIH owns 49 percent of a microwave relay network that encompasses 14 cities in Hunan province. UIH wants to upgrade it to a digital network, boost the video capacity from the current single channel and use the capacity to increase the number

Continued on Page 17

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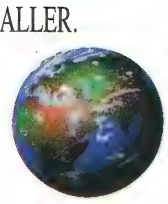

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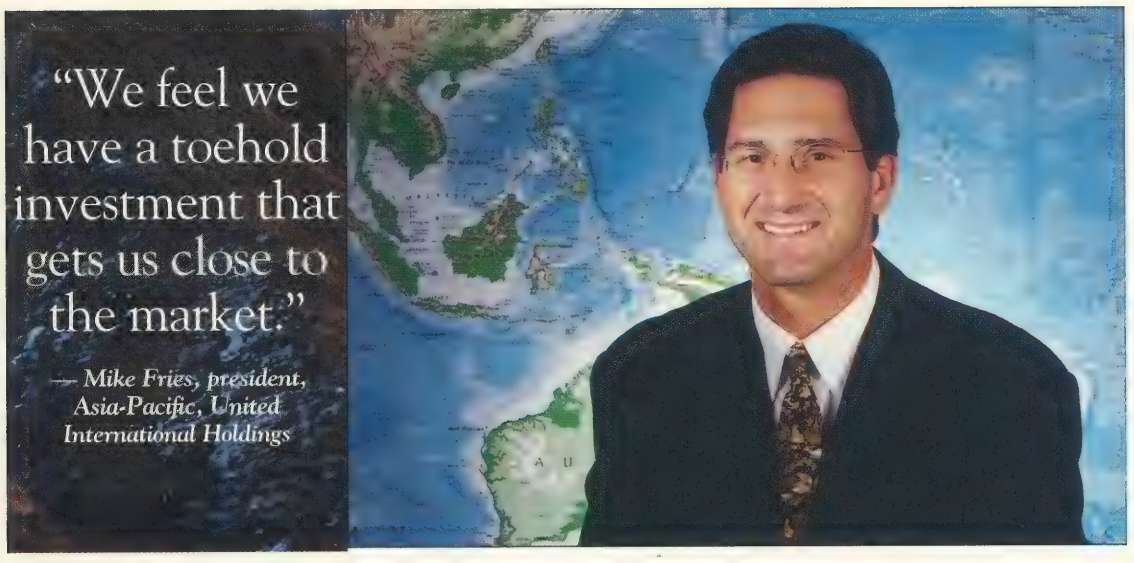

"We feel we have a toehold investment that gets us close to the market."
— Mike Fries, president, Asia-Pacific, United International Holdings

China

Continued from Page 14

of data services.

"We understand the sensitivities, and we are moving prudently," says Fries. "We are merely involved in the transportation infrastructure, and we have no control of the content."

While UIH is in China for the long haul, Fries says the company "thought long and hard" before starting its $2 million venture two years ago.

Another toehold investment can be found at Ameritech Corp. In August, the U.S. telco announced a joint venture with state-owned China Communications System Co., or Chinacom, to develop telecommunications. The first venture is to build a global systems for mobile (GSM) cellular telephone and wireline switched telephone network for Taiyuan, the capital of Shaanxi province, with a third body, China Unicom.

Not everyone sees the toeholds as particularly positive signs for the market. Companies with such ventures "think because they have a presence now, they will be able to profit later," says the anonymous equipment supplier. "All I can say is that the Chinese are being clever in getting some revenue from them ... It is like a fishing line being slowly reeled in by Beijing. If they can get someone else to fund the background work for a network, then so much the better for the Chinese."

While that might be construed as a particularly pessimistic assessment, there is little doubt that China faces some tough economic choices that affect its dealings with overseas companies.

As China struggles to replace a communist economy with a quasi-capitalist one "with Chinese characteristics," as paramount leader Deng Xiaoping described it in the 1980s, the country's leaders have to decide between several priorities. When government officials consider how and when to provide the population with a modern TV and telephony system, they also must address such concerns as the need to overhaul ailing state industries, two-thirds of which hemorrhage money. There are also demands to increase the military budget in order to cover the country's ambitions to be a superpower — and the need to feed and educate the population.

While the country's leaders assess the economic dilemmas, cable investors are assessing the economic difficulties of running systems as well.

"I haven't heard of any system in China that's charging customers more than the equivalent of $2 a month," notes Schwall. "So if you consider building a standard, U.S.-style cable system — even without all the bells and whistles — and try to pay back the investment, it's problematic."

Despite all of the tough questions, several other players are waiting in the wings with designs on both the cable television and telecommunications businesses. Among them are Nynex Corp., GTE Corp. and Continental Cablevision Inc.

Nynex formed its Asia Communications Group in September. Chairman and CEO Ivan Seldenburg notes that Asia "is the highest potential telecommunications growth region in the world," and the creation of the new arm will allow the company to focus its energy on developing it. Yet, although Nynex has already been advising China's Lian Tong Communications Group about building an alternative national telephone system, it has yet to participate in or even announce a joint venture in the country.

In pursuit of global expansion of its wireless telephone services, GTE executives outlined plans to build cellular and paging services in China. However, there is no firm date for when that project will commence.

Continental's Asia-Pacific managing director Martin Hannes says his company is continuing to examine China closely, but it was still waiting "to see what it makes sense to get involved with."

Meanwhile, Wharf is quietly hopeful of extending its current Hong Kong cable and telephony system into southern China after the exchange of sovereignty from the U.K. in 1997, according to Cable TV chairman Stephen Ng Tin-hoi. His company estimates that using cable TV revenues to fund telecommunications modernization in China could shave $30 billion from the nation's communications infrastructure budget.

While investments in systems remain problematic, some headway is being made by equipment suppliers.

Horatio Egnoto, vice president of international at General Instrument Corp., says, "As a foreign company, you can't trade directly in China. But we are selling millions of dollars worth through authorized Chinese trading houses. I do not see China as being particularly difficult."

Cabledata, which exhibited subscriber-management systems at the Beijing show in September with French firm Bull Worldwide, has been studying the market for the last two years, with representatives in Hong Kong keeping a close eye on developments.

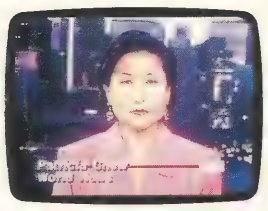
And while the company has yet to complete any deals in China, Cabledata's head of Asia-Pacific sales, Michael White, believes the market is loosening up. "People turn up to exhibitions, equipment is easier to get in and out and you speak to some quite senior people," he notes.

White believes that in the near future, synergistic partnerships between overseas companies building and equipping systems will be a logical step forward, although none had been formulated as of yet.

The next three years are certain to be crucial for the growth of telecommunications in China.

But as a report by consultancy Claydon Gescher Associates concluded, "Long-term success is likely to depend on an ability to create strong relationships with People's Republic of China networks and to respond flexibly to change." —MCNI

SHEDDING NEW LIGHT ON ASIAN ISSUES.



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Germany's TECHNO

By dividing its forces, S

By CHRISTOPHER JOHNSTON

Siemens' Munich headquarters.

It could have been the bridge of the *Starship Enterprise*. At the mammoth Telecom '95 exhibition in Geneva in October, the Siemens AG booth in a corner of the German pavilion looked like a girdered sphere the size of a three-story building.

The company was far from alone in spending lavish amounts of money and talent to impress the clientele. But the Siemens extravaganza was a standout — complete with a private restaurant and a staff that included 250 Siemens employees in various shades of blue and gray and 150 uniformed hostesses scurrying to serve customers.

Siemens won't say how much it cost, but published accounts put the price tag at 20 million deutsche marks ($13.9 million). At that price, it's a wonder the thing didn't fly.

Such is the powerful image exuded by Siemens, a conglomerate that counts among its far-flung holdings 14 groups and two special divisions involved in audio and video.

Altogether, Mother Siemens and her children recorded an incredible DM88 billion ($60 billion) in worldwide sales last year — a sum much larger than the gross national products of many of the countries in which Siemens does business.

Siemens' Public Communication Networks Group, which makes fiber equipment and turnkey systems for all kinds of terrestrial and mobile communications systems, has 32,500 employees worldwide and accounts for DM11.2 billion ($8 billion) in sales. It's the muscle of PCNG that ranks Siemens fourth in the world among telecommunications manufacturers, trailing Alcatel, Motorola Inc. and AT&T Corp., respectively, according to the In-

Continued on Page 20

A portion of Siemens' massive Telecom '95 stand.

The Siemens/S-A Offspring

CoAxiom could be a cable television mogul's dream. Jointly developed by Siemens AG and Scientific-Atlanta Inc., CoAxiom is fully modular , and it can work as a self-contained product or as an add-on to the IMMXpress (interactive multimedia) product palette.

The IMMXpress line is the main byproduct of the agreement between the two companies, together with Sun Microsystems Inc., to cooperate worldwide in multimedia. All three companies are actively marketing the product line, with Siemens as the turnkey provider.

The CoAxiom products are true all-in - one pieces of cable, delivering CATV, multimedia applications and telephone services (including Integrated Systems Digital Network) over the same hybrid fiber-coax network. Essentially, the CoAxiom products allow a network operator to choose an unoccupied channel of the cable network and push up to 500 telephone lines down the line to subscribers.

A headend unit (HIU) on the network operator side connects to a customer interface unit (CIU) on the telephone customer's end. The CIU has a jack built into it that accepts standard telephones and can accommodate two, four or 64 telephone ports.

The HIU connects the lines to the pub lic switching network via standard digital switches. Another component, the CoAxiom Management System (CAMS), manages the subscriber lines.

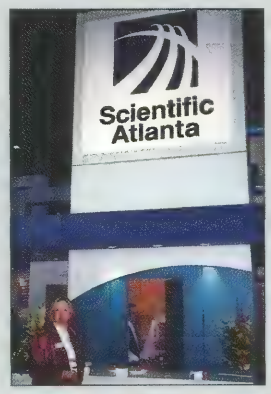
The potential for success of products like CoAxiom is driven by the worldwide telecommunications liberalization and by governments' hunger for telephone access for their citizens. They also add additional value to the idea of cable television, since telephony will be one of the prime profit-makers in the product.

The deal between the supplier (S-A), the computer company (Sun) and the network communications company (Siemens) represents a bit of true convergence.

"The question now is, 'Who are your partners, how are you delivering vertical markets, and what kind of control do you have in developing your market?'" says Bryan Van Dussen, senior analyst for the Yankee Group Europe. He suspects that a side benefit of the deal between the three firms might be to put Siemens in a better position to deal with Deutsche Telekom.

"Deutsche Telekom needs to revamp their networks, and Siemens needs a proposition for them. That meant going out and finding partners," the analyst says. "You might say, 'Who the hell is Scientific-Atlanta? Some company that builds cable television?' But it's got some innovative stuff for Siemens."

Siemens first saw S-A at Supercomm in 1993. It was love at first sight, but it took a while before a union was struck between the hulking German giant and the comparatively diminutive belle from Norcross, Ga. — with $1.3 billion in sales in 1994 as compared to Siemens' $60 billion. Eighteen months after investigating each other, they made a commitment. A cornerstone of the commitment was that neither company was a serious competitor to the other in any of their markets.



"The competition issue was getting in the way. It took a few months to work out. We've each lived up to every part of the agreement, which is unusual in an alliance," says Frederick R. Fromm, the recently appointed president/CEO of Siemens Stromberg-Carlson, Siemens' new telephony muscle in the United States.

"The convergence of telecom caused many companies to look for synergistic tech," explains John Buckett, vice president of marketing and sales for the international division of S-A's broadband communications group. "Every American company needs a partnering alliance to come into Europe. You've got to have that to better understand the requirements of customers, and also to gain acceptance. While we've had an operation in the U.K. and Rome for two years, we're still not a member of the club. But now, we get better acceptance.

Fromm explains that Siemens was in a similar situation when entering the U.S. market. Siemens was hungry to make contact with the cable and TV operators in the U.S. and to market its products. "To walk into America, nobody knew Siemens. But they did know Scientific-Atlanta. The relationship works well."

BUCKETT

FROMM

Now, the partnership has worked out so well that the phone has heated up between S-A's headquarters in Atlanta and Siemens' U.S base in Boca Raton, Fla. When Siemens goes to hawk its wares at a telephone company, it calls up S-A and invites them along. S-A does the same thing when it approaches a cable company.

Each company brought different things to the deal. For Siemens, that meant a knowledge of fiber optics, telephony and switching products, and strong, long-lasting technologies from around the world. For S-A, it was their technology.

Buckett says the "single-threaded solution" of mixing the RF signal for CATV and then fiber for the telephony and data is ideal for those elusive greenfield markets. "In greenfields, there is interest in doing this threaded thing because it's saving money. We'll sell it to the cable TV people and then the telephone companies, and then, through channels, to the world."

"It should have been quite some years before fiber crosses over the way we're doing it," concludes Fromm. "CoAxiom should have a life well into the next century, and it should have its own embedded base."

A source involved in the CoAxiom project says the partners have signed a deal with a company in Continental Europe to begin the first trial of the project next year.

—Christopher Johnston

emens AG intends to maintain its power in the world's telecommunications-supply sector.

D-GIANT

ternational Telecommunications Union.

Analysts subjectively rank Siemens even higher.

"It's hard to turn around and not to say that Siemens is the top one or two in all their businesses in technology. Maybe not in profitability, but certainly in technology," says Nimrod Schwarzmann, European electronics analyst for London stock brokerage firm James Capel.

PCNG — or Öffentliche Kommunikationsnetze in German — is also one of the most outward-looking of Siemens' 14 groups. Its revenue stream is gradually becoming more reflective of business from outside of Germany, as Siemens solidifies its role as one of the great international corporations. At the end of 1993 and 1994, about 60 percent of the company's revenue came from beyond German borders. "It will become less in Germany, and in the next years, this trend will continue," says company spokesman Reiner Schönrock.

But the world can be a cold, hard place, even for multibillion-deutsche mark companies. With a stated goal of becoming "leaner and fitter," PCNG split its organizational structure from a hierarchical model into eight business units and seven sales units in October. Among them is the newly renamed Communication Cable Networks group.

Each unit has been tasked as a "product-creating unit," and each will be responsible for development and planning, technical sales and the resulting bottom line. This sink-or-swim

> "It's hard ... not to say that Siemens is the top one or two in all their businesses in technology."
>
> *— Nimrod Schwarzmann, European electronics analyst, James Capel*

mentality is sweeping the ranks of equipment manufacturers as companies go global.

Although in the works for months, the PCNG reorganization announcement in October came on the heels of AT&T's decision to split its business into three separate units. And PCNG's move was followed closely by the announcement of a reorganization at France's Alcatel. Not so coincidentally, Alcatel now has eight business units and seven sales units.

Analysts say companies such as Siemens and its counterparts, by their sheer size, are well-positioned to benefit from the explosion in telecommunications. But the recent spate of restructurings may reflect an offensive by these mammoth concerns to ward off newer competitors that could steal away small pieces of business.

"There aren't currently any particular threats to Siemens," says Andrew Wright, a consultant with Analysis Publications in Cambridge, England. "The largest threat is that Siemens [is large enough to] create a momentum that makes it hard to change direction. The threat to Siemens and other large telecommunications manufacturers is that smaller, more agile companies are coming into telecommunications."

SIEMENS' ROOTS

Siemens put the cable in cable television and everything else for that matter. Werner von Siemens founded the company in 1847, and in the 1850s, he patented the *gutta percha* extrusion press, which insulates wire with rubber-tree extract.

Peter Gössing, director of marketing for the CCN Group, notes that Siemens now makes everything "that carries electrons," except for toy trains.

Siemens, based in Munich, began supplying cable for CATV to Deutsche Telekom as far back as 1981. In 1987, it got a foothold in the U.S. cable TV equipment market with the creation, along with Corning Glass, of Siecor, a company whose sole job was to develop and sell fiber optic cables.

"Siecor has been dealing with

Continued on Page 24

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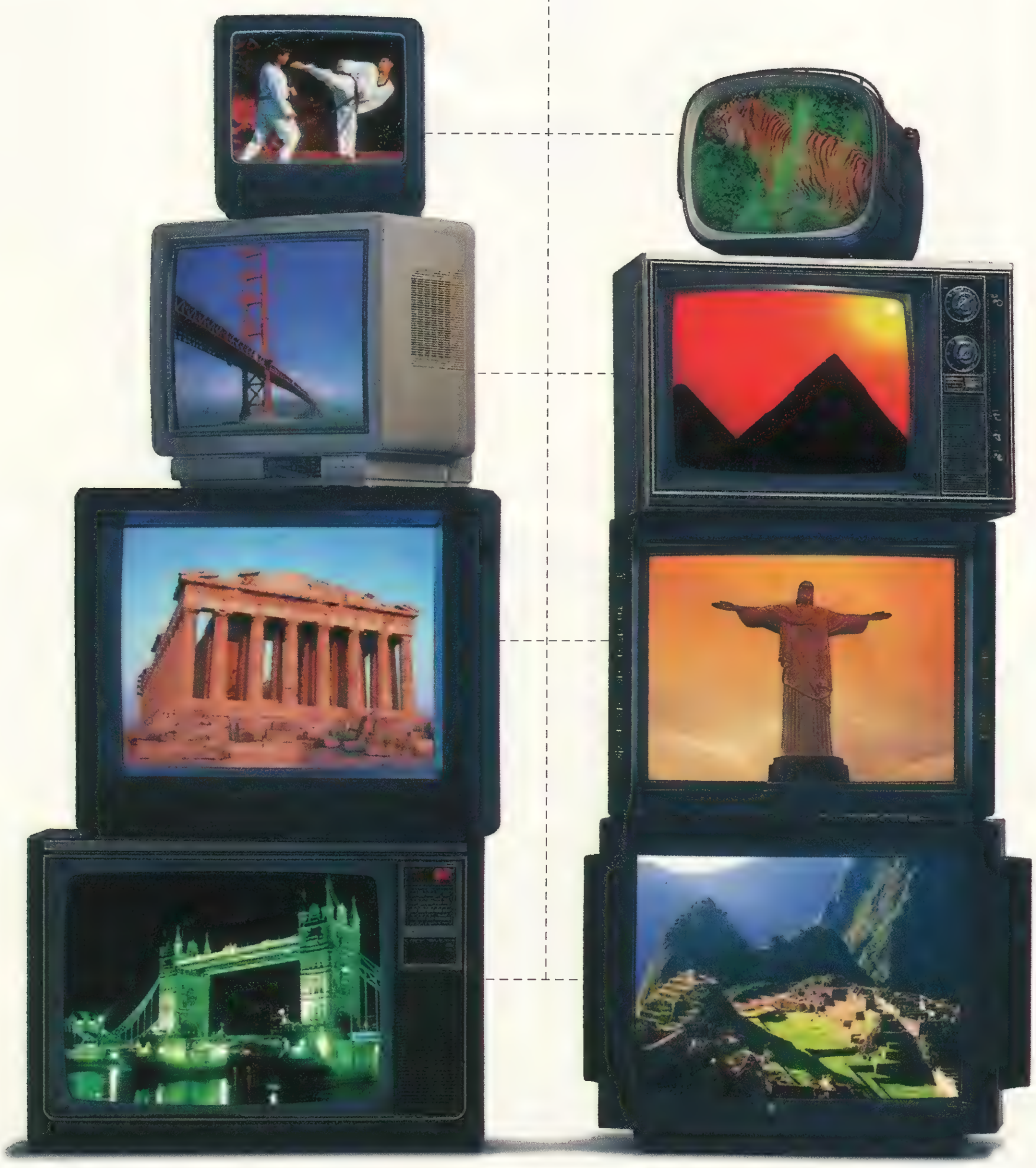

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Techno-Giant

Continued from Page 20

CATV in the States in major proportions since 1987," says Gössing. "Now, it's a major proportion of our business."

Leaner and fitter is one thing, but no matter how you look at Siemens, the company is a real techno-giant with an imposing presence.

Sitting up on the top floor of the Telecom '95 stand, Roland Koch, vice president of the new, improved PCNG, exudes the confidence of an executive who knows what he's talking about. He was Siemens' man from Munich in the negotiations for a joint development agreement with Scientific-Atlanta Inc. and Sun Microsystems Inc. to create the CoAxiom line of hybrid fiber-coaxial systems.

He says the deal, particularly between S-A and Siemens, was symbiotic fuel for the entertainment and traditional telecommunications sectors.

"The main motive was really complementing technologies. We both knew that hybrid fiber-coax networks will stay a long time," he says. "A big company like ours, when we are standing in front of a position, asks, 'Are we doing it with a competent partner?' We think we have selected a very competent, strong partner, and Scientific is a traditional MSO supplier. And we, as a global player, have something to offer to Scientific from a global network perspective."

CoAxiom delivers voice, data and cable — analog or digital — down the same pipe.

Koch points out that these additional services, especially telephony, are like "a Trojan horse" that customers can ride through their competition, attracting subscribers by adding value to the traditional product. The customers that the alliance is after are "really the MSO-type of customers and the telecommunication-type of customer," he explains. "The business of infrastructure, like switches and loop equipment, can easily grow into a significant portion, but it depends on the progress of liberalization in real time, or on the possibility of other countries investing money, such as with the Eastern [European] countries.

"This is the predominant question for customers who are standing in front of a greenfield decision," he continues. "'If I have a certain telephone network, and I have a certainly rudimentary CATV network, should I go with two specific networks, or should I go with one?' We think that CoAxiom is a powerful possibility for those greenfield networks, because we can distribute TV service and telephony through only one path."

PRIME TARGETS

Small wonder that Eastern Europe and Asia are primary targets for the CoAxiom product, although Koch has high hopes in countries that already have copper telephone infrastructure in place. "In the so-called Eastern [European] countries, nobody can say it's a significant business, but it's an important business. We expect over due time it will become significant."

Koch is also looking at South America, which has traditionally been a strong market for Siemens — and, more significantly, at Asia. That's not "only because everybody says, 'Let's go Asia,' but I think it will be one of the cornerstones of our revenue stream," he says.

In fact, Siemens as a whole plans a major push into Asia. It announced in October that it plans to sink $4 billion into the Asian continent in a move to snap up a large portion of the infrastructure market, especially in China, India and Indonesia.

A Siemens managing board member, Günther Wilhelm, was quoted by Reuters as saying that Asia would be the biggest area of growth and that Siemens' chunk of the Asian pie, which totaled $7 billion in 1994, is expected to double to $15 billion by the year 2000, accounting for 20 percent of Siemens' global business.

The key areas are expected to be power generation, transport and telecommunications — and, in particular, mobile telephony. Siemens and other companies are marketing global systems for mobile telecommunications, often as a primary service around

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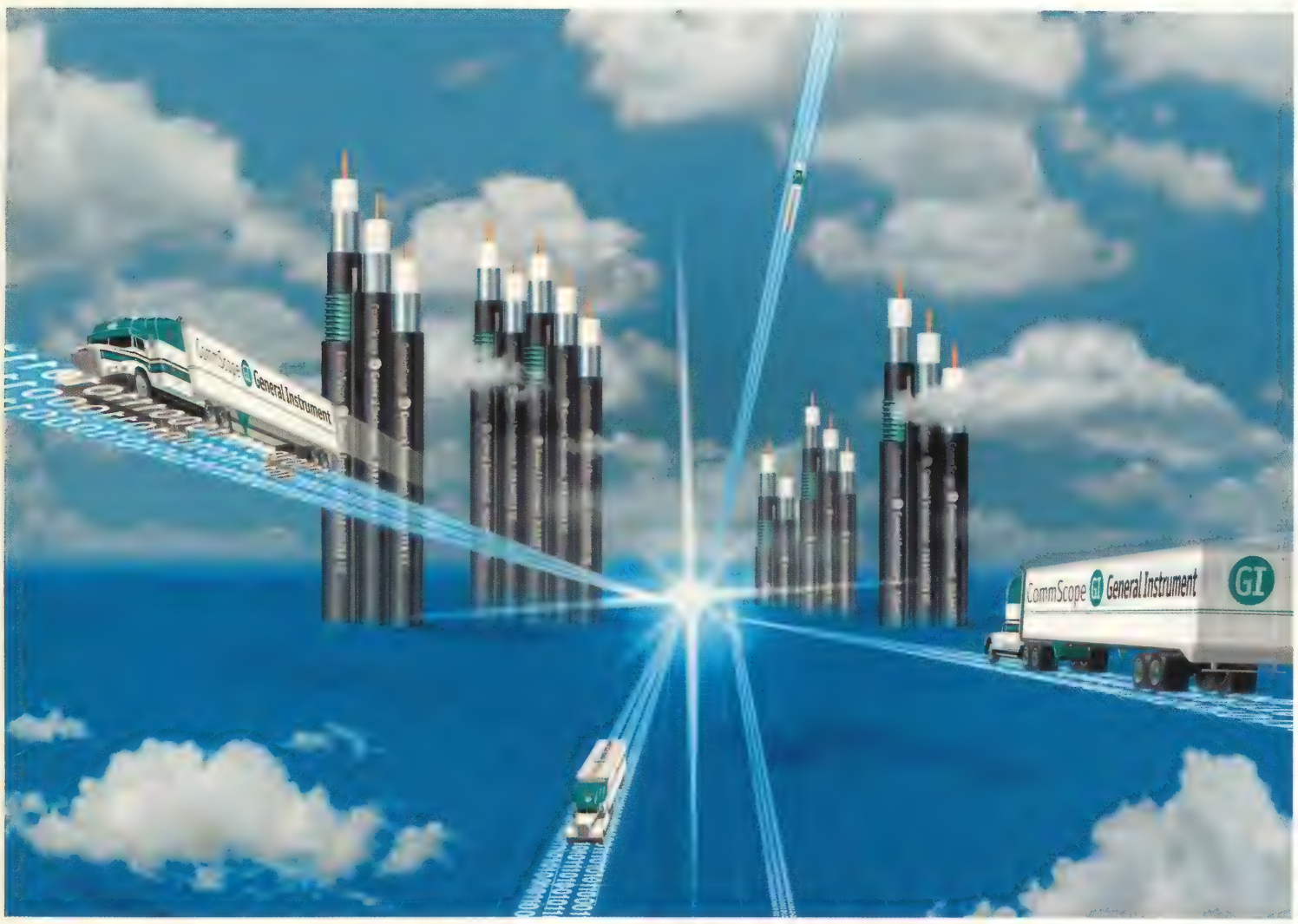

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the region, since GSM systems are easier to put into place than terrestrial telephone systems.

Asian opportunities are very much the focus of Helmuth Rein, regional account manager for Telecommunication Cable international sales, the arm of PCNG in charge of pushing fiber in general and CoAxiom in particular on a cable-hungry world.

Rein says the demand in Asia calls for a combination of land cable, aerial cable in countries like India and China — which need fast links for their big, underdeveloped areas — and submarine cable.

"Of course, we're also in the field of CATV," says Rein. "One of our last contracts was in Bangkok with TelecomAsia. Asia is not an easy market. It's highly sophisticated, and the business is very fast."

CUTTHROAT SCENE

In the industrialized markets, Koch sees room for investment, but he also sees room for some cutthroat competition in all of the communications fields. For example, the reunification of Germany and the decision to move the capital from Bonn to Berlin produced a plan to link the two cities by an information highway, creating a virtual link to governmental departments and bureaucracies left behind. The result was a boon for Germany's Telekom and for its primary equipment supplier, Siemens.

The company is also likely to profit from the opening up of Europe's telecommunications market in 1998. "There will be all these new operators, the second operators," says Koch. "But there will come a time of network overbuild. In the beginning, everyone will support the [goal] of serving the users. But, on the other side, we will see even more dramatic price fights and pressures than we see today."

Koch is counting on diversification as a way to keep ahead of the market, and he says the key areas that Siemens will serve in the future include mobile communications, intelligent networks and telecommunications network management (TNM).

"If you look at the U.S. market three years ago, the traditional market was fast-growing. Now we are seeing the [regional Bell operating companies] investing in other things," Koch says. "It's good business. One of the significant markets of the U.S. market is [personal communications systems].

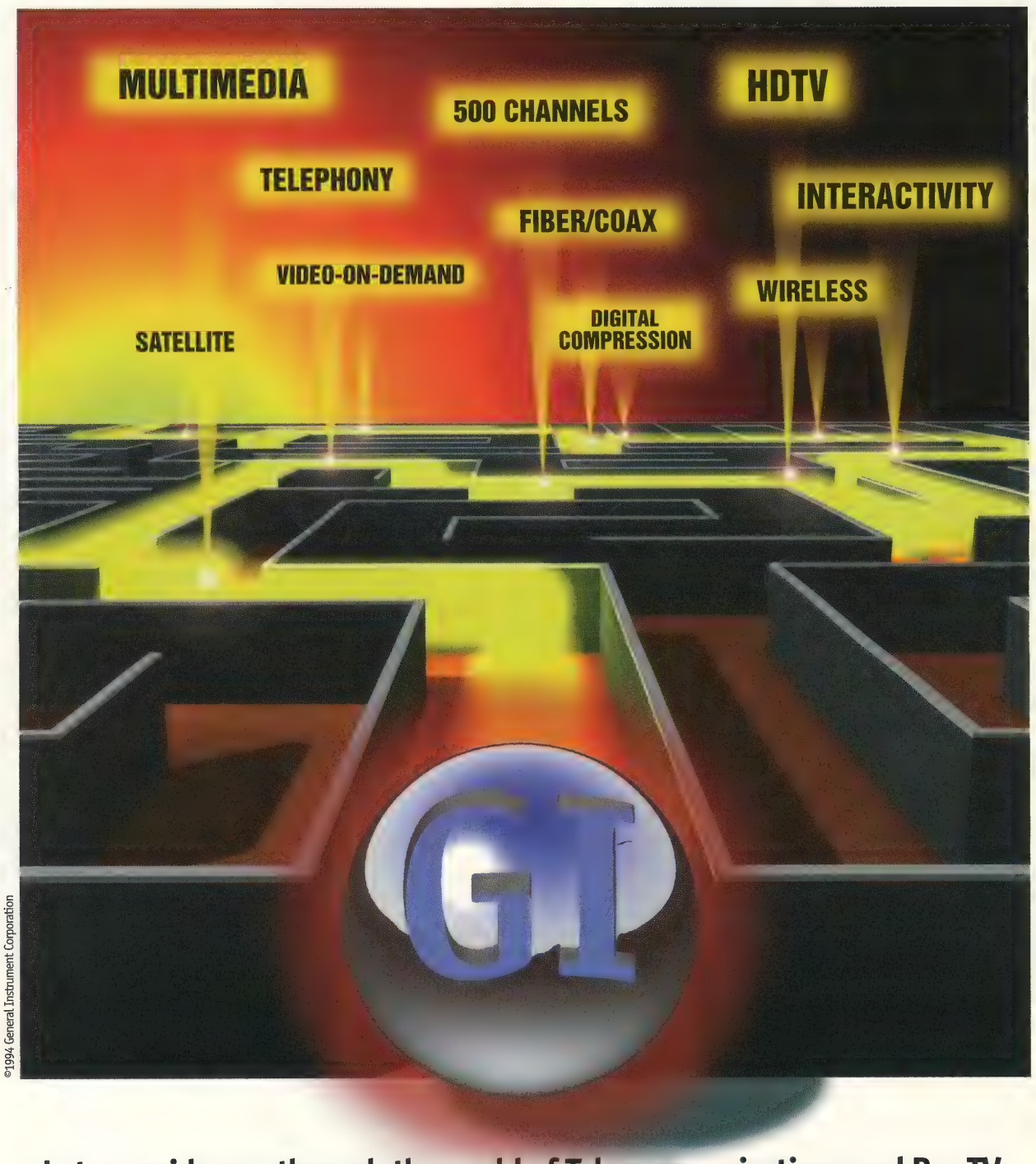
"If we look downhill, I think that besides the price pressure on the operators in the industries, we will realize a very strong desire to drive operational costs down. TNM will offer smart solutions, where the operator has to maintain his network on an end-to-end basis. He has to automatize, and he has to reduce this staff to the minimal point. This means automatic processors."

> "The main motive [in aligning with Scientific-Atlanta] was really complementing technologies."
>
> *— Roland Koch, vice president, Siemens' Public Communication Networks Group*

Koch explains that one major reason why a group the size of his PCNG operation reorganized into separate units is that it's easy for a large organization to lose track of the customer.

"A deeply structured organization doesn't hear the market correctly. That was one reason we segmented our businesses into separate business units and delegated power to those units."

It's by dividing that Siemens obviously seeks to conquer — a move that could have far more powerful implications than *Starship Enterprise*-like stands. **—MCNI**



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MULTICHANNEL NEWS INTERNATIONAL'S *Guide To*

Pacific Rim Program Network Connections

The network trails that are blazing in Asia, Australia and the Indian subcontinent are detailed in this road map of the region, with major assistance from MTA-EMCI's Eileen Krill.

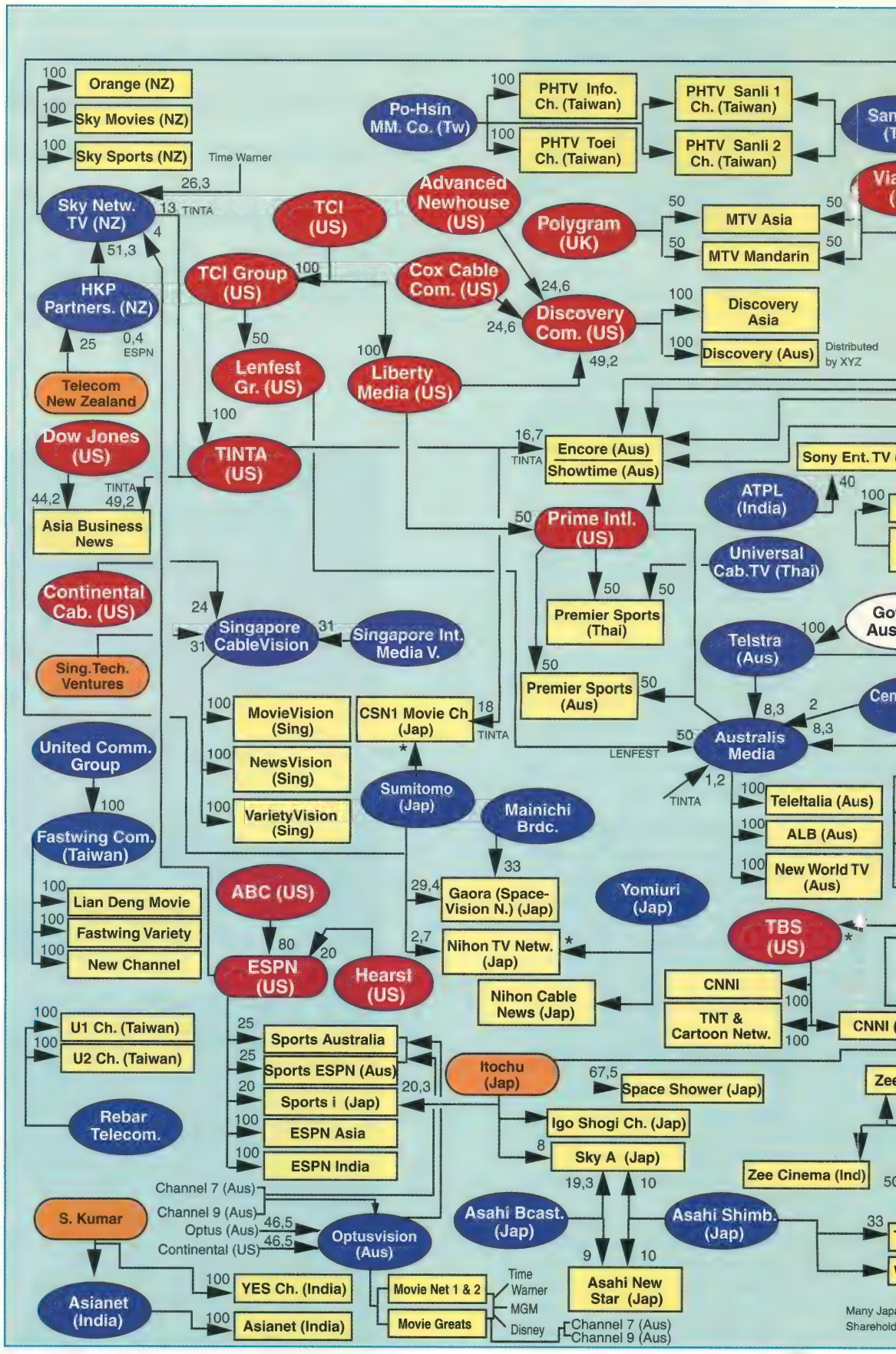

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Chart only includes completed alliances and launched channels as of November. Only networks marketed to multichannel systems are included. Because of the huge number of channels in Taiwan, only those groups with larger commitments are included.

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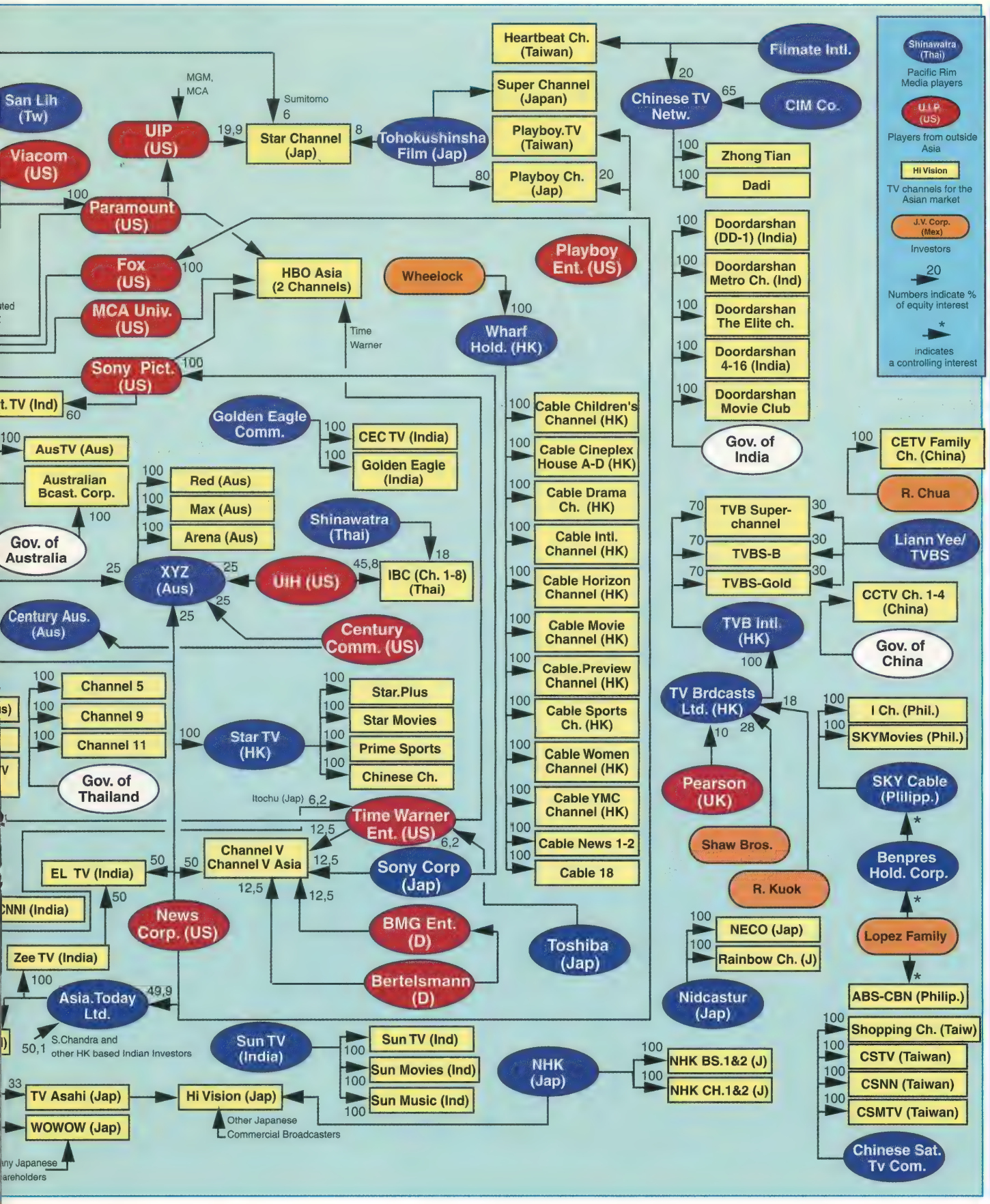


OTHER ASIAN CHANNELS

BBC World Service (Asia), BBC (UK)
Country Music TV (Asia), Gaylord Ent. Co.(US), Group W Sat. Comm. (US)
CNBC Asia (Asia), NBC (US)
Deutshwelle TV, German Government

Sky Channel Pty Ltd. (Australia), Nine Network Tv. (Consolidated Press Holdings)

Yonhap Television News (China) 12 Companies Consortium

Asia Television Netw. (India), 51% Siddharta Srivastava
Eenadu, Eenadu Group of Newspapers
Business India TV (India), Ashok Advani, Malvika Singh
Gemini TV (India), Manohar Prasad
India TV (India), Dalal Street Journal
InMumbai (India), InCablenet (The Hinduja Group)
JJ TV (India), H.E.J. Jayalalitha
Jain TV (India), J.K. Jain and some other non resident Indians
Raj TV (India), Mani Rejendram and Mani Ravindram
TVB (India), The Business India Group

CTPI (Indonesia), Siti Rukmana Hardynat
IVM - Indonesia Visual Mandiri (Indonesia), Salim Group

Eisei Gekijo (Japan), 40,5% Shochiku, 10% Bandai, 10% Mitsui, 10% Nikkatsu
Fuji TV (Japan), Fujisankei Comm. Group.
Green Channel (Japan), Japan Horse Racing Association
Kid's Station (Japan), Ookura
Leisure Channel (Japan), Prefectural Association of Motor Boat Racing
Let's Try (Japan), 43,6% Misawa Horna, 6% Misawa
Midnight Blue (Japan), Forum, Japanese Home Video, KUKI
MTV (Japan), 50% Pioneer Electronics, 37,5% TDK
Nikkei Satellite News, Nihon Keizai, Shimbun, TV Tokyo
Tokyo Broadcasting System (Japan), Sakura Bank, Japanese Life Insurance, Chua Trust Bank
TV Tokyo Channel 12 (Japan) private
WX24 Weather Station (Japan), Weather News, Century Leasing System, Dentsu

Channel Q (Korea), Cheil Comm. (Samsung Electronics)
Century Tv Netw. (Korea), 6 Company Consortium
DCN (Korea), Daewoo
Eye-View Netw/Daedayo Broadcasting (Korea), 7 Company Consortium
GTV (Korea), SeaGreen (Jin-Ho Group)
Korea Music TV (Korea), Hyundai and other 4 companies
KSTV (Korea), Government of Korea
Maeikyungje Cable TV/Daily Economic News (Korea), 26 Company Consortium
Music Network - M net (Korea) 4 Company Consortium
Transport Travel TV (Korea) Government of Korea

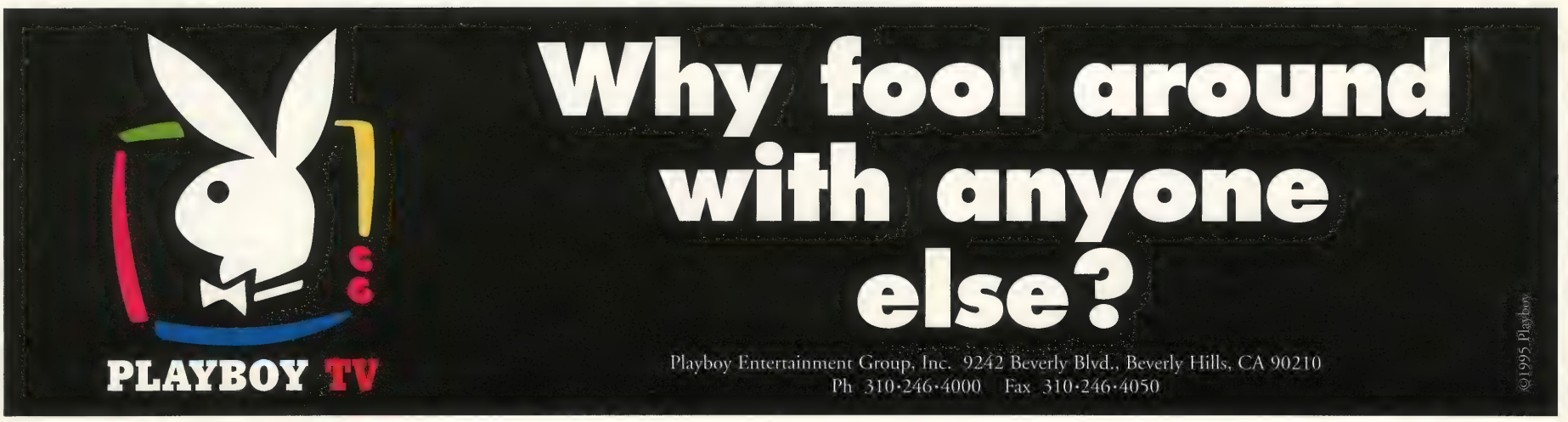
TV-3 (Malaysia), Sistem Televisyen Malaysia Berhad (43,2% Malaysian Resources Corp Berhad)

Mongolia TV (Mongolia), Government of Mongolia

ABC-5 (Philippines), private
Republic Broadcasting System - Channel 7 (Philippines), Menardo Jiminez

Super TV (Taiwan), Super Communications (Kings Enterprises, Super Impact)
Taiwan Video Shopping Netw. (Taiwan) Bao Bronson and 2 partners

Channel 7 (Thailand), Bangkok Broadcasting & TV Co. (Maleenont Family)
Thai Sky TV - Channels 1-5 (Thailand), Wattachak Group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ITALY INVIGORATED

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Italian Government Tourist Board, New York

By JOHN GLOVER

Western Europe's largest untapped pay TV market is finally coming alive, but so is Telecom Italia.

Change is rarely gradual in Italy, where vested interests generally make sure that outdated rules stay in place even as fatigue and growing irrelevance render them as tangled and tasteless as a plate of cold spaghetti. Then, when the rules do break down, change comes in a rush.

In the transitional period between the old and the new, the trophies go to the swift and determined. That is what happened with commercial TV in Italy, where Silvio Berlusconi muscled his way into a hidebound market and created a media empire. And something like that is happening now with cable TV.

Cable has never gotten out of the starting gate in Italy, although a rich, industrial economy and a population of 56 million people make it a highly attractive market for companies involved in telecommunications and multimedia. But finally, the realization has dawned on Italian officials that a major change is under way in entertainment and telecommunications, and the race is on.

Cable construction is beginning, a new cable law is being shuttled through Parliament and multimedia trials are starting. All of that's adding up to a surprisingly new, vibrant feel to the Italian telecommunications market.

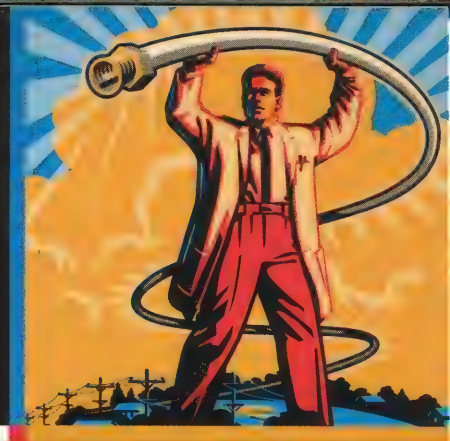
"By the end of 1995, cable will reach what are potentially the richest areas. By the end of 1996, all the major cities will be completed, and after that will come the rest," predicts Luigi Forlai, an Italian media consultant with Nomos, a management consultancy in Rome.

By the end of the century, Italy will boast a fully liberalized telecommunications and multimedia market. Access to the network will be available to any content provider with plans to peddle any service they like to the 10 million-plus households that should be passed by cable.

However, while cable and telecommunications issues are finally moving forward in Italy, so, too, is an offensive by Telecom Italia, the state telecommunications monopolist. TI is

Continued on Page 30

Power To The Cable.



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ITALY INVIGORATED

Continued from Page 28

determined to fight off any attempt to challenge its own dominance of Italian telecommunications. TI is moving aggressively with "Progetto Socrate" (Project Socrates), as it has — rather fancifully — dubbed its plans. It is staking an initial 12 trillion to 13 trillion lire ($7.3 billion to $8 billion) on the plans, in terms of both new investment and in bringing forward other, already-budgeted capital spending.

"We had to invest in the network. Our decision [to install the local loop] was based on a calculation of the return on capital invested ahead of time, which will then be fully depreciated, as against investing to upgrade a [telephone] network, which is about to become obsolete," says Francesco Chirichigno, managing director of Telecom Italia.

Behind Progetto Socrate is a clear-eyed strategy aimed at ensuring that TI and its parent company, Stet, retain their preeminent positions in the theoretically more competitive, liberalized market that is just around the corner.

"The Stet Group intends to be a primary player in the construction of the information society in Italy," stated Ernesto Pascale, managing director of Stet, announcing the plan at the Reseau international convention in May. "In any case, using the existing telecommunications network as a basis, [Stet] is already committed to building a broadband distribution infrastructure able to support not only the supply of telecommunications and interactive video services, but also access to a substantial number of television channels."

"We had to invest in the network ... The network is a commodity."

— Francesco Chirichigno, managing director, Telecom Italia

However, some are concerned that nearly all of the country's cable system operations could wind up the property of TI, or that independent systems won't get to compete fully in the lucrative voice telephony market.

The apparent paradox of a liberalized market with possibly just one major provider is the all-but-inevitable outcome of the cocktail now being stirred in Italy.

There are two ingredients in the mix. One is an incumbent that has moved quickly to make the best of the legal monopoly that it still enjoys, with the strong balance sheet that it needs to finance its ambitions and a clear idea of what it wants. "The network is a commodity," says Chirichigno. He leaves unsaid the corollary —

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the way to make money from commodities is to dominate the market.

From TI's point of view, that doesn't have to mean the complete absence of rivals. If it retains control of the one national telecommunications system, it will be able to dictate the terms for connecting competitors to it, which will corral them in whatever niche markets they can find.

The other ingredient in the Italian cocktail is a government that lacks the heft to rein in the incumbent and that, by lagging behind almost all of Europe's major countries in terms of telecommunications deregulation, has in all likelihood failed to open the market in time to prevent the creation of a de facto monopoly.

Lawmakers finally moved in September, when Italian Prime Minister Lamberto Dini's cabinet gave the go-ahead to a draft law on the telecommunications sector presented by Agostino Gambino, the minister of the posts. The draft thus became government policy.

While a significant move forward, the proposed legislation has come under heavy fire from TI's would-be rivals, who complain that its provisions are unclear and that it fails to go far enough in setting out a strategy that will underpin private investment in the market.

From Jan. 1, as in nearly all of Europe, TI's monopoly will be restricted to fixed-voice telephony. Under European Union rules, TI and many other major telcos will lose that monopoly in 1998. TI will be barred from buying cable systems already owned by other state companies, including the state railways, state energy concern ENI, national electricity utility Enel and Autostrade, which manages the motorway network. It will also be prevented from entering TV programming.

At the same time, TV programming suppliers will not be allowed to take shareholding stakes in TI. Whether this extends to minority stakes is not clear.

Meanwhile, other operators will be allowed to cable areas of up to 5 million inhabitants. Franchises will be granted by mayors or by the presidents of regional governments. It is not clear whether these local networks will be allowed to offer voice telephone services before 1998 and thus compete directly in TI's core market.

"Real competition will come from the cable companies that wire up households and can then offer voice telephone services," says Achille De Tommaso, managing director of Infostrada, a joint venture between Olivetti and Bell Atlantic Corp., which is aiming at the market for voice and data transmissions by closed-user groups,

Tracking Telepiu

Italy may be bracing for a pay TV boom, but Telepiu's still trying to get tuned in to the right frequency.

By JOHN GLOVER

On the surface, MTV, Italian soccer and digital TV seem to have little in common. Yet they're all the focus of significant new projects at Italian subscription network group Telepiu. And combined, they illustrate that the company has become much more serious and aggressive about marketing its service.

Every afternoon, Enrico Silvestri, one of MTV Europe's top presenters, hits the airwaves on *Hanging Out With Enrico*, transmitted in Italian both terrestrially and on satellite to a potential audience consisting of the 11 million households reached by the group's sole unscrambled channel, Telepiu 3. This is the first time MTV Europe has televised programming in a language other than English. And the music channel's 13 hours of daily transmissions represent an important new service that Telepiu can use to snare subscribers.

"Italy is one of the top TV markets in Europe, and it's clearly important for us to tap into it both from an audience and revenue point of view," says Peter Einstein, president/business director of MTV Networks Europe.

Meanwhile, Telepiu is negotiating with the Lega Calcio, Italy's soccer league, for the rights to live coverage of all of next season's Series A and B games. The cost is rumored to be a whopping $75 million a year. While Telepiu confirms the talks, the company refuses to discuss figures.

The soccer broadcasts would kick in with the launch of Eutelsat's Hot Bird 2 satellite in fall 1996, when the four digital transponders that Telepiu has booked will give it the capacity that it needs to carry the top games simultaneously. In October, Telepiu took its first steps toward digital broadcasting with trial direct-to-home transmissions, making it the first network group in Europe to have made the move to digital.

Together, those three new initiatives are aimed at putting new life into one of Europe's pay TV laggards, which is hoping to better position itself to take advantage of the expected cable and satellite boom in the country.

"Italy is a major TV market. Viewers have an appetite for TV," says Rob Hersov, executive director of Nethold B.V., which owns 32.5 percent of Telepiu.

Between buying into Telepiu and meeting cash calls, Nethold has invested in the region of $230 million in the Italian operation since mid-1994. Convinced that the market holds major potential, it is set to spend more.

Hersov maintains that Telepiu has had "strong subscriber growth" since Nethold bought in. More to the point, he claims that Nethold's expertise in pay TV is bearing fruit.

"The company is now working properly. We've fixed subscriber management; billing is now done on time, and we've tightened up on slow and late payers. Our cash flow has improved as a result, and we're closing on breakeven," he says. Hersov now puts breakeven at around 900,000 subscribers, down from the original target of 1 million.

Although Telepiu means Teleplus in Italian, for shareholders, the group has been Teleminus right from the word go. Since its launch in 1990, Telepiu has journeyed slowly and painfully toward breakeven.

Last December, Telepiu claimed 690,000 subscribers. The latest figure is 730,000, meaning that the company is increasing its subscriber list at a rate of fewer than 5,000 a month. In comparison, Spain's Canal Plus España, launched at the same time as Telepiu, surpassed the 1 million-subscriber mark earlier this year.

In Telepiu's struggle to hit 1 million, it has probably cost its shareholders over 500 billion lire ($300 million) between cash injections for capital spending and operating costs. The exact figure is a well-kept secret.

"We're taking a massive risk. This is a business which requires enormous capital before we ever see a return."

— Rob Hersov, executive director, Nethold B.V.

Undaunted, Nethold bought a 25 percent stake in the company in mid-1994 for about $180 million, and then raised its stake to 32.5 percent last October. At the same time, Germany's Kirch Group reduced its 40.8 percent holding to 33.6 percent. Fininvest, which has 10 percent, and other Italian investors hold the remaining one-third of the company's capital, as they did before.

Telepiu has a way of confounding managers' predictions over when it will reach breakeven. Speaking to journalists in October 1994, Jan Mojto, president of the company and Kirch's point man in Italy, postponed it again, until 1997, forecasting a loss of 50 billion to 100 billion lire ($30 million to $60 million).

In a note published last October, the company says it expects sales this year to be up 30 percent over 1994's 325 billion lire ($195 million). In the meantime, industry speculation holds that 1994's loss may have exceeded 100 billion lire ($30 million), but Telepiu won't comment.

Telepiu has been ordered by Italian regulators to migrate from terrestrial to cable and satellite distribution by the end of 1996.

Last September, Telepiu floated a 180 billion lire ($110 million) Euroloan that was taken up by six major banks, and that funding will probably be used for Telepiu's transition to digital satellite in 1996.

When Hot Bird 2 launches next year, its footprint will cover all of Italy, and Telepiu will find itself in the company of government-owned network RAI and Italy's commercial network powerhouse, Fininvest. The latter two are on the satellite as part of a government-backed project called Sat 2000, which aims to raise Italy's weight within the Eutelsat consortium. It should also boost the Italian satellite TV market by allowing viewers to pick up all of the main Italian broadcasters at 13 degrees east.

The plans for Telepiu's move to satellite are still very fluid, however. Nethold and Kirch are reported to have booked four transponders on Astra 1-F. Press reports suggest that Kirch, in spite of shareholding interests in Telepiu and in Fininvest's Mediaset, plans to use Astra to transmit to Italy. According to Nethold's Hersov, Telepiu is committed to a Eutelsat platform.

Telepiu plans 18 months to two years of terrestrial and satellite simulcasting in order to persuade its subscribers to invest in satellite dishes. Satellite receiver installation currently costs over $1,000, and there are fewer than 500,000 dishes in Italy. But increased sales due to improved programming will undoubtedly lower the cost.

The decoders for the new digital service will be similar to the ones developed by Nethold's Irdeto pay TV systems. However, Telepiu plans its own orders, which are being negotiated with Pace Microsystems and Nokia Consumer Products. The set-top boxes will not be interchangeable with the 2.1 million digital boxes recently ordered by Nethold and Kirch. Nor are they interchange able with an open standard. This, some politicians claim, will lock viewers into Telepiu, closing the market to later entrants.

With the shift to digital and the new push on programming and marketing, some estimate that the total investment in Telepiu could reach $1 billion, with no clear sign on when it will yield a profit.

"We're taking a massive risk," says Nethold's Hersov. "This is a business which requires enormous capital before we ever see a return." —MCNI

ITALY INVIGORATED

such as branches of large companies or a firm and its major suppliers.

"While I'm sure that TI will allow them to offer interactive services which might start to show a return next century," De Tommaso says, "if they're leasing its lines, I very much doubt they'll be allowed to offer telephone services."

Moreover, before going into the law books, the draft telecommunications legislation must be approved by Parliament. That makes it hard to predict either a time scale or the precise legislation that will eventually emerge.

"It's going to be hard. In theory, it's a fairly simple law as far as principles are concerned, but the assault of the various telephone and television lobbies will make everything much more difficult," said Sen. Filippo Cavazzuti, economic policy spokesman in the Senate for the PDS, the Dini government's main backer, in an interview with Milan daily newspaper *Corriere della Sera*.

The situation is very similar to that of Spain, where the country's cable law has been delayed for years as the political parties fight over major issues such as the power that incumbent Telefónica de España S.A. will wield in the new regulated cable market.

"If Italy or Spain writes the rules in the wrong manner, it'll never get off the ground from a competitive standpoint," observes Gary Ames, London-based president and CEO of U S West International, which is active in both countries.

Telecom Italia has already installed a trunk network based on broadband cables linking all of the country's population centers. What is missing is the "last mile" that will allow it to offer cable services directly to households. However, that shortcoming is quietly — and rapidly — being remedied.

In September, Stream, which is 75 percent-owned by Stet with the rest of the stock held by TI, announced VideoMagic. That experimental, near-video-on-demand project involves up to 1,000 households in Milan and Rome. Stream is a service provider for the network infrastructure. Its job is to interface with content providers planning to use the cable system, handling the billing, connections and collections, as well as managing the distribution of programs and services through the network.

The group's overall strategy is clear: TI plans to become the dominant network provider, while Stream will control access to it. This will allow it to dictate terms and conditions to the content providers aiming to market services to the public.

Meanwhile, initial contracts for Progetto Socrate have already been assigned. A consortium called Cored, led by Stet subsidiary Sirti, has a 500 billion lire ($325 million) deal to pass a potential 750,000 households in Turin, Milan, Bologna, Naples and Bari. Work quietly began on the construction contract in July, according to a Sirti source.

Another consortium — this one led by Ericsson Telecomunicazioni SpA, the Italian

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The paradox of a liberalized market with one major provider could be the outcome of the cocktail now being stirred in Italy.

"The Stet Group intends to be a primary player in the construction of the information society in Italy."

— Ernesto Pascale, managing director, Stet

subsidiary of Sweden's LM Ericsson — is also under way, and it has a $200 million contract for a similar system in other major cities, including Rome, Palermo and Florence. Its partners include Marconi and Tratos.

Since the summer, ritual ceremonies involving TI's top brass and local administrators signing pieces of paper have accompanied the start of work in several cities.

"I have great respect for Telecom Italia's strategy," says De Tommaso. "They've seen the real danger and taken the right steps to ward it off."

Unsurprisingly, TI is being careful to present the network it is laying as experimental. "As long as it's 'experimental,' the competition authorities can't do much about it," says an equipment supplier who, like others, has been instructed not to discuss TI contracts with the press.

From its own point of view, TI's low profile is probably justified. Giuliano Amato, president of Garante della Concorrenza e del Mercato, Italy's competition watchdog, has on several occasions clashed with TI. He has made it clear that he would prefer not to see TI owning most of the network infrastructure of a newly cabled Italy. EU competition authorities are also understood to be concerned that would-be rival network providers will see their projects strangled at birth.

However, some competitive fig leaves will be available, at least at the start, to give an appearance of decency to TI's near-monopoly. The coming liberalization of cabling has prompted several potential rivals to TI to declare their intention of entering the market. One contender is Videostrada, a joint venture between Olivetti Telemedia and U S West International. Backers of that venture acknowledge that they're not exactly sure what it will really yield.

"We have really decided to go together and see if there is an opportunity and see if the rules, as they get constructed there, are going to really allow a competitor like U S West and Olivetti to compete," says Ames. "I think there's a good chance that will happen. But I also think there's a fair chance that if they're [Italian regulators] not careful, they could create a situation where competitors like ourselves won't be interested."

Olivetti sources say the company will adopt a wide-ranging approach to the technologies it uses, employing both cable and microwave transmissions as the technology becomes available and as the economics of each approach change.

"Videostrada will allow us to put ourselves forward as partners for local administrations and other local bodies to design and build real 'digital cities,'" said Elserino Piol, president of Olivetti Telemedia, in a statement.

Through Omnitel-Pronto Italia, the holder of the second license in the mobile phone market, Olivetti is already preparing to take on TI. But it is hampered by a balance sheet that has been weakened by the over-3 trillion lire ($1.8 billion) of losses that it has run up since 1990. It may prove difficult to persuade local officials that they should give Olivetti the cabling licenses it will need.

Analysts are also worried that its strategy of competing head-on with TI in all markets may lead it to spread its limited resources too widely.

Industry sources say other potential entrants are numerous, including City of London Telecommunications (Colt); U.S. company MFS Communications; Belgian telecommunications firm Esprit Telecom; and Albacom, a joint venture between British Telecommunications and Banca Nazionale del Lavoro, based on the bank's data-transmission network.

The existence of trunk cable networks owned by enterprises other than TI means that alternatives to TI's network exist, including FS, the state railway, which owns a 1,500-kilometer fiber optic cable network and recently announced that it was setting up a separate company to manage the network. What's more, electricity utility Enel has its own fiber optic network, which might conceivably supply the basis for an alternative to TI.

Snam, which distributes natural gas nationwide, is currently studying its options as it prepares to upgrade its existing cable system, which it uses to control its gas-supply network. And city administrators have spied a chance to get into the cable business, using their large underground networks by virtue of their sewers.

All of these likely cable TV players see plenty of upside potential if they can become new entrants to the market, provided that incumbent TI is prevented from strangling their initiatives. It is not clear if that can be accomplished.

What is very clear is that TI is determined to protect its position and it is prepared to spend very heavily in order to do so.

This will ensure that Italy has an advanced cable network as it enters the next century. Whether it also has an open and competitive telecommunications and multimedia market is another matter entirely. **—MCNI**

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Continued from Page 7

greater Buenos Aires area, large MSO Video Cable Comunicación is charging $11. The sportscasts are distributed to the systems by companies that are partnerships between TyC and Grupo Clarin.

So far, "the results have been good, but acceptance is still below the expected level," comments Jorge Fernandez Viña, president of Sociedad Argentina de Televisión, the commercial arm of cable trade association ATVC. He reports that his organization is studying a way to deliver scrambled channels on a nationwide basis.

"Cable operators will have to discuss agreements with the phone companies in order to complement their services."

— *Jorge Fernandez Viña, president, SATV*

The soccer strategy has a definite upside beyond additional revenue: There are no exclusive contracts with operators, so overbuilt systems are not pitted against each other on that particular front. And there's no customer rage against operators who couldn't or didn't want to sign up.

Still, it is widely believed that only soccer has enough power to convince someone to pay more for cable. Pulling premium channels out of the basic packages will be a tough job.

CONCENTRATION SLOWS

The credit squeeze has also slowed down consolidation efforts by Argentina's four major MSOs. They comprise some 90 formerly independent systems and account for 2.03 million households (see chart).

There are still about 1,500 other operators, most of them too small to be of interest to an MSO, although a few hundred of them are in adjacent areas and could be merged. Nevertheless, the buying spree that was well under way at this time last year seems to have dried up, and any further purchases will be carefully examined.

But there's another perspective to consider. "The Mexican crisis caused a shock. The shock brought rationality to the market. Previously, systems had been sold and bought at prices that were not justified," says Carlos Prátola, director of Fintelco, VCC's holding company, which is backed by U.S. MSO Continental Cablevision Inc.

"In 1994, the market was focused on growth. Today, it is focused on cash flow," Prátola adds. He contends that the industry's consolidation process hasn't stopped dead in its tracks — certainly not at his own company.

Some new funding from banks is in the pipeline. Fintelco/VCC is negotiating a $140 million loan with several banks, and there are some other deals being discussed. However, many investors are still in a wait-and-see mode, hoarding their money until the economy gives stronger signals of recovery.

For the small entrepreneurs, life will not be easy. Besides the MSOs, there are cash-rich former operators who sold their systems but still want to belong to the business. Many of them are searching for niche markets where the incumbent offers sloppy service and the environment is ripe for competition.

There are several regional associations, usually on a province basis, with rosters of small-town

Continued on Page 36

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"The Mexican crisis caused a shock. The shock brought rationality to the market."

— Carlos Prátola, director, Fintelco

Continued from Page 34

entrepreneur members. But, except for taxes and local regulations, they have few things to fight for or achieve in common. Their debates over exactly what they can accomplish together will probably be one of the hottest issues at this year's Jornadas.

And there is another force of change: the telephone companies. On the surface, it would appear that the telcos are still strapped by the terms of their monopoly license, which bans them from video delivery to customers. They may only carry video signals for third parties that are licensed by the Comfer, Argentina's equivalent of the U.S. Federal Communications Commission.

However, those limitations are being tested by Telefónica Internacional, a unit of Telefónica de España. It signed a letter of intent to purchase 25 percent of MSO Multicanal, an investment of roughly $200 million.

The deal is testing the waters, and some observers think the entire telco issue will have to be renegotiated because the privatization contract leaves too many gray areas.

Last year, industry maven Alejandro Massot discussed at one of the Jornadas' conferences a future scenario with phone companies acting as common carriers for video programming provided by local and foreign suppliers. Now, it seems that the two telcos are seeking an even more active part. And some local analysts think more deals will follow the TISA/Multicanal trail.

Viña acknowledges that "cable operators will have to discuss agreements with the phone companies in order to complement their services." He reckons that although phone service will become a free-for-all market by the year 2000, most operators lack the technical infrastructure needed to compete efficiently with the telcos. Telefónica — which holds the telephone monopoly in the southern half of the nation — has announced an investment of $5.6 billion over the next four years. Telecom, the other licensee, will likely follow suit.

Their nearest competitor, Compañia de Teléfonos del Interior, holds a cellular-phone franchise outside of the greater Buenos Aires area, and it has invested $850 million, but it is estimated to have signed up less than 40,000 customers.

In Buenos Aires, the two cellular phone companies have about 270,000 clients, but the market is fizzling because hardwire lines are now readily available. As of Nov. 1, the installation charge for a residential line dropped to $250, and the basic monthly charge is around $15.

With such prices, cable operators have little incentive to tap the residential market. They must turn their eyes to the delivery of business data and high-volume transactions. For most of them, it means sailing into uncharted waters; they must master marketing techniques completely different from what they have become accustomed to. So most of them would rather sign a truce with the phone companies than fight.

CAPITAL INVESTMENT

One way or another, networks and headends will have to be upgraded, and that's comforting for hardware suppliers. Both phone companies and cable operators have been busy laying fiber optic backbones, and most MSOs and many independent operators are replacing old coax with wider-bandwidth wire to the home.

But the set-top issue has been out of the question, until now. It will require bank financing, or deep-pocketed partners, to pony up $200 or more per household and, at the same time, to lure the customer into paying more for what they are already getting.

Bicket explains Cablevisión's viewpoint: "The infrastructure of a cable system is not an investment you can pick easily. Design life is 30 years; the capacity we are building in Buenos Aires is beyond imagination ... and that's analog. When you think about digitalization, there may be excess capacity."

There is, indeed, a change of attitude. Gone are the days when refurbished equipment was the easiest solution. Now, operators perceive that in order to compete, they will have to deploy the same wares currently used in the United States and Europe. Getting dated equipment may force them to spend more money in a couple of years. The challenge is how to turn a profit out of this new situation.

Diego Gastaldi, regional executive, South America for General Instrument Corp.'s GI Communications Division, says: "We at General Instrument are expecting a bright future in Argentina. Despite the fact that the market has not grown significantly over the past months, we have increased our local presence and support substantially in anticipation of the expansion we envision."

Transaction-administration systems are being studied, but there is wide skepticism about pay-per-view and other more sophisticated offerings that, in theory, could raise revenues. Cable channels offer the usual array of magic products, but, for a large part of the population, going to a shopping mall or even to the supermarket is still an entertainment opportunity.

Multicanal has recently started a cobranded credit card with a leading bank. Another credit card project, aimed at independent cable systems, flopped several years ago when the savings and loan institution that backed it went belly-up. And Cablevision offers free basic legal phone counseling to its customers.

Unlike Chile, where Intercom is selling access to computer services, systems in Argentina are banned from offering a phone link to the Internet. No one has tested the legal waters yet by considering it a "value-added service" (which is open to free competition) instead of an addition to phone service, by using an unswitched carrier connection to the World Wide Web.

Cablevisión's Bicket thinks "Argentina can become the telecom gateway to South America. We can sustain this with some government support. The business has to change, and strange bedfellows — as we say in the States — will form alliances. We will definitely be in the telecommunications business; we will offer video-telephony; we will build this network."

Fintelco/VCC is also on the front line of sophisticated construction that will make cable/telephony a reality, building a fiber optic to the node network with 750-megahertz capability and 2,000 subscribers per node. The MSO has systems in the city of Buenos Aires and its provinces, and in Santa Fe and Cordoba.

But even in the face of these developments, the general perception is still that cable TV is mainly entertainment. It will take a lot of money and time, as well as a big chunk of savvy, to change that. **—MCNI**

Argentine Arithmetic

MSO	Subscribers
Fintelco/VCC	640,000
Multicanal	590,000
Cablevision	450,000
Fincable/Cabtel	330,000

These MSOs represent 40 percent of the country's subscriber universe.

Cable Subscribers Year	(in millions)
1987	0.83
1988	1.01
1989	1.52
1990	2.38
1991	3.05
1992	3.52
1993	3.95
1994	4.60
1995	5.00*
Estimations	
1996	5.45
1997	5.80
1998	6.10
1999	6.35

*Previously estimated at 5.2

Source: Private Advisor

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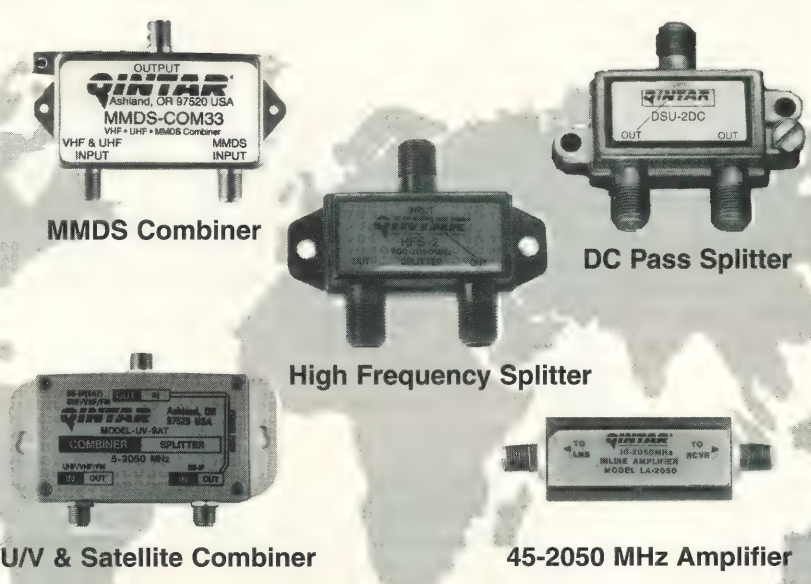

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Progresos De La Industria Del Cable En La Argentina

Por SAMUEL LIBERMAN

En los últimos años, el más vigoroso mercado de la televisión por cable en América Latina ha logrado un gran éxito. La penetración ha alcanzado el 50 por ciento y existen más de 1,000 compañias de cable que ofrecen sus servicios a más de 4 millones de suscriptores. La competencia crece a medida que las áreas más pobladas reciben el servicio de varios sistemas que se disputan su preferencia.

Aquí, en la Argentina, nos sentimos orgullosos de ese progreso. Sin embargo, el mayor crecimiento en el cable y las telecomunicaciones queda por delante. Con la inversión extranjera, las mejoras tecnológicas, más programación original de alta calidad y las perspectivas de nuevas fuentes de ingresos gracias a las modificaciones regulatorias, el mercado del cable en la Argentina está preparado para una nueva era de vital expansión.

> Considero que inversiones similares por parte de compañías americanas alentarán el crecimiento de la industria de cable Argentina.

RECIENTES LOGROS

Nuestra industria, que se inicia a principios de la década del 60 con sistemas de antena comunitaria, ha mostrado signos de madurez y varias empresas de mayor envergadura han llevado a cabo la compra de sistemas más pequeños dando exitosos pasos estratégicos. Nuestra compañia, Video Cable Comunicación, que es propietaria del operador de cable más grande del país, tenía 300,000 suscriptores hace solo dos años.

Hoy, como resultado de una inversión realizada por Continental Cablevision Inc., varias adquisiciones estratégicas y la extensión de la red, llegamos a 620,000 abonados con 1.2 millón casas pasadas. Otros MSOs han tenido similar crecimiento.

El crecimiento del mercado argentino ha sido impulsado por decisiones oportunas conjuntamente con una alta demanda de servicios de cable y una economía que ha sufrido muchos cambios pero que se ha estabilizado en años recientes. Los últimos años han sido de consolidación de la industria de cable. VCC ha considerado oportuno construir y fortalecer grupos de sistemas de cable en las áreas metropolitanas más grandes del país, donde la demanda es muy alta, las economías locales están en auge y hay un gran potencial de crecimiento. Por lo tanto hemos concentrado nuestros esfuezos en los tres mercados más grandes: Buenos Aires, Córdoba y Rosario.

En esa tarea no estamos solos. Otros MSOs, por ejemplo, han puesto todo su esfuezo en Buenos Aires, nuestro altamente poblado distrito capital, en el que compiten hasta cuatro empresas ofreciendo sus servicios a los abonados. Aún en un contexto de competencia, el crecimiento es fuerte y las empresas florecen.

AVANZANDO

La industria ha sido ayudada por las reformas económicas del gobierno de los últimos años. Argentina ha pasado por un duro proceso de estabilización que ha demostrado ser exitoso. La estabilidad económica en la primera etapa de la reforma aumentó significativamente el crecimiento de abonados. El desafío presente es mantener los actuales niveles de crecimiento económico para contrarrestar problemas tales como los niveles de desempleo a largo plazo y las fluctuaciones de la economía debido a la influencia de los mercados externos.

Si estas metas pueden lograrse, y considero que es posible, la industria del cable en la Argentina puede prever un aumento firme de los abonados y la expansión en otras líneas de negocios.

Es clave hacer las mejoras técnicas de la actual infraestructura. Un mayor tendido de la fibra óptica, por ejemplo, traerá consigo una mejor calidad de imagen, menos problemas técnicos y una mayor capacidad de canales.

En segundo lugar, el desarrollo de programación exclusiva para cable es fundamental. La programación ya ha desempeñado un exitoso rol en nuestra industria y las compañías de cable han ofrecido a los consumidores argentinos su programación preferida, incluyendo películas, deportes — especialmente el fútbol local — y una variedad de eventos exclusivos. VCC, a través de su productora GALA, ya está trabajando fuerte en el desarrollo de la próxima generación de programas que le darán a nuestro producto una gran diferenciación frente a los servicios de la competencia. Los actuales canales incluyen Cablín, un canal infantil que se ofrece las 24 horas; El Canal de la Mujer, un canal dedicado a ese segmento durante todo el día; y la producción de eventos especiales para nuestros clientes.

Además, y especialmente en un contexto tan competitivo, es esencial una atención al cliente de la máxima calidad. Hemos implementado el "Programa de Calidad Total," especialmente diseñado para mejorar la atención al usuario y mantener el mayor nivel de servicio para nuestros clientes.

LIBERALIZACIóN DE LAS COMUNICACIONES

El crecimiento futuro estará también estimulado por cambios en la política de telecomunicaciones de la actual administración. El gobierno puede liberar el mercado telefónico para 1997, permitiendo que las empresas telefónicas compitan el la provisión de servicios. Todavia no estamos seguros del rol que las compañías de cable desempeñarán en un medio desregulado, pero nosotros seguiremos mejorando y modernizando nuestras redes con la esperanza de poder competir en el mercado de datos, voz y telefonía. Es posible preveer la concreción de sociedades entre las compañías telefónicas y de cable mientras el mercado sigue en crecimiento.

Las oportunidades en el mercado argentino son tan grandes que habrá una gran necesidad de fuentes de capital externo. La inversión extranjera ya ha desempeñado un rol muy importante en el éxito obtenido por varias compañías de cable argentinas, incluyendo VCC. Nuestra socio, Continental Cablevision Inc., la tercera compañía de cable más grande de los Estados Unidos, ha hecho a VCC un gran aporte financiero, técnico y de administración. Considero que inversiones similares por parte de compañías americanas de cable y telecomunicaciones alentarán el crecimiento de la industria de cable argentina en el futuro.

El futuro de la industria del cable argentina, que ya tiene un mercado muy fuerte, parece brillante. A medida que continúa la consolidación de la industria, las mejoras tecnológicas, la oportunidad de competir en otras líneas de negocios, harán de la televisión por cable una parte vital y de vigoroso crecimiento de la economía argentina. Los argentinos se beneficiarán con mejores servicios, más posibilidades de opción y mayor valor.

Samuel Liberman está CEO de Fintelco S.A.

The Best Is Yet To Come In Argentina

I would expect similar investments by American companies to help spur the growth of the Argentine cable industry.

By SAMUEL LIBERMAN

The most vibrant cable television market in Latin America has achieved tremendous success in recent years. Penetration has topped 50 percent, with more than 1,000 cable companies serving over 4 million customers. Competition is thriving as the most populous areas are served by several competing systems.

Here in Argentina, we are proud of this progress. Yet the most exciting growth in cable and telecommunications may lie ahead. With foreign investment, improvements in technology, more high-quality original programming and the prospect of new streams of revenue thanks to anticipated regulatory changes, the Argentine cable market is poised for a new era of vitality and expansion.

RECENT GAINS

Beginning with the early part of the decade, our industry — which traces its start to the community antenna systems of the 1960s — has shown some signs of maturation as several of the larger companies have completed successful strategic purchases of smaller companies.

Our company, for instance, which owns the nation's largest cable operator, Video Cable Comunicación, served just 300,000 subscribers only two years ago. Today, however, after an investment by Continental Cablevision Inc. and a variety of strategic acquisitions and network expansion, our reach has extended to 620,000 subscribers with 1.2 million homes passed. Several other MSOs have enjoyed similarly robust growth.

Growth in the Argentine market has been driven by timely business decisions, combined with high demand for cable services and an economy that has been in flux from time to time but that has stabilized in recent months.

The past several years have been an era of consolidation for the Argentine cable industry. It has made sense for VCC to build and strengthen clusters of cable systems in the country's largest metropolitan areas, where demand is highest, local economies are on the upswing and there is the greatest potential for growth. Therefore, we have concentrated our efforts in the country's three largest markets — Buenos Aires, Cordoba and Rosario.

We are not alone. Other MSOs, for instance, have focused on Buenos Aires, our densely populated capital region, where up to four providers directly compete in selling services to customers. Even amid the competition, growth is strong and the companies are flourishing.

MOVING AHEAD

The industry has been aided by the government's economic reforms in recent years. Argentina has undergone a difficult stabilization process that has proven to be successful. Economic stability has brought steady revenues, and economic growth during the first phase of reform significantly increased subscriber growth. The ongoing challenge is to sustain the current levels of economic growth in order to counteract problems such as long-term unemployment and fluctuations in the economy due to external markets.

If these goals can be achieved, and I believe they can, the cable industry here in Argentina can anticipate steady gains in subscribers and expansion into other lines of business.

One key is to proceed with technical upgrades to the existing infrastructure. Increased deployment of fiber optic cable, for instance, will bring even better picture quality, fewer technical problems and an increase in channel capacity.

Secondly, the development of cable-exclusive programming is critical. Programming has already played a role in the success of our industry, as cable companies have provided Argentine consumers with their favorite programs, including movies, sports — particularly local soccer matches — and a variety of exclusive events.

NEXT GENERATION

VCC — through our production company, GALA — is already hard at work developing the next generation of programming that will differentiate our product from competing services. Current channels include Cablin, a 24-hour channel for children; El Canal de la Mujer, a round-the-clock channel devoted to women; and the production of a number of special events.

In addition, and especially in such a competitive environment, top-quality customer service is essential. We have implemented a "Total Quality Program" designed to improve customer service and maintain the highest standards of service to our customers.

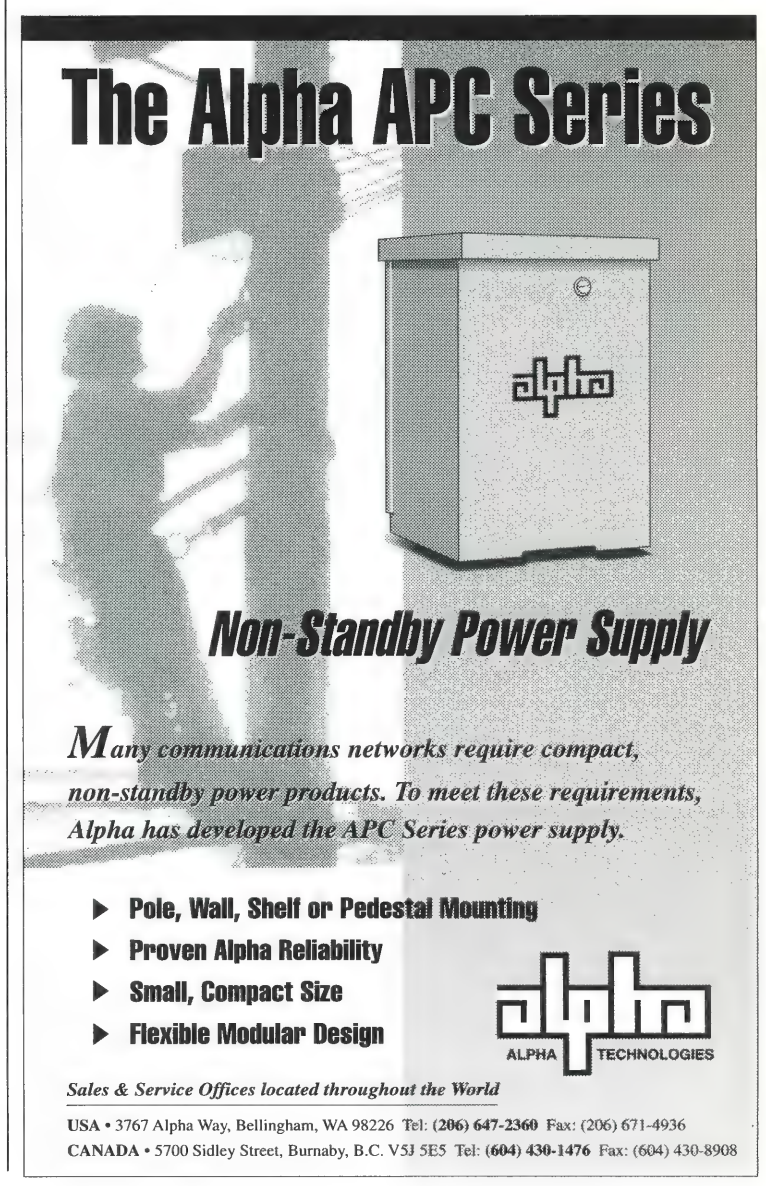
Future growth will also be stimulated by changes in the government's telecommunications policy. As soon as 1997, the government may liberalize the telephone market, allowing multiple telephone companies to compete in providing services. We aren't sure yet of the role that cable companies will play in the deregulated environment, but we will continue to upgrade our networks in the hopes of having an opportunity to compete in the voice telephone and data markets. It is possible to foresee a number of partnerships among cable and telephone companies as the market grows.

Market opportunities in Argentina are so great that there will be a strong need for sources of capital from outside of the country. Foreign investment has already played a major role in the success of several Argentine cable companies, including VCC.

Our partner, Continental Cablevision, the third-largest cable company in the U.S., has made a great contribution to VCC in providing financial as well as technical and management expertise as we have expanded. I would expect similar investments by American cable and telecommunications companies to help spur the growth of the Argentine cable industry in the future.

Already a strong market, the future of cable in Argentina looks very bright. As some consolidation continues, improvements in technology, programming and customer service, combined with an opportunity to compete in other lines of business, will make cable television a vital and growing part of Argentina's economy. Argentines will greatly benefit from better services, greater choice and higher value.

Samuel Liberman is the chief executive officer of Fintelco S.A.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Rock 'n' Rollouts

Continued from Page 9

U.S. shores that's posting a profit. In fact, business is so good that it is out scouting locations for new facilities in London, having already outgrown the new complex that it moved into a mere two years ago.

That marks a decided change from when Bill Roedy, currently president of international at MTV Networks, joined the London-based team as CEO and managing director of MTV Europe in 1989. "The longest clause in my ... contract was what I would do if we closed up the operations, because that's how possible that was," he relates.

Six years later, Roedy oversees a London crew of 350 employees, up considerably from the 40 that were on board when he arrived. He spearheads two new versions of VH1, a separate MTV service for Germany and a teletext operation — not to mention MTV's separate services in the Pacific Rim, Latin America and, coming up soon, Africa.

All of this has not gone unnoticed by the companies that provide MTV Networks with its videos. Vidich and, by extension, Warner Music, are part of a small but extremely powerful enclave of record-company players that can at once be described as reluctant participants in the latest turf wars for music dominance around the globe — and primary aggressors.

Different constellations of record-company groups are now backing the two Viva channels in Germany, Channel V in Asia and Australia and Ya TV in Latin America. And if the Department of Justice hadn't kicked up a fuss, they'd probably be in the United States by now as well.

"The reason why we started to have a strategic investment in channels is we couldn't live with the situation as a supplier of software where there was just one kind of monopoly organization that would handle our videos," explains Ruddi Gassner, president and chief executive of BMG Entertainment International.

Michael Fuchs, chairman of both Home Box Office and the Warner Music Group, puts it this way: "I don't care how saintly you are — if you're the only [music channel in a market], you act in a certain way."

But the record companies aren't exactly fighting for the same business as MTV.

"We're not necessarily in the TV business, if you know what I mean. If someone else wants to run a music channel, it's perfect. The more, the better," Gassner says.

That just about sums up the music channel attitude at all of the major record companies, which also include Thorn EMI, Sony Entertainment and Polygram. Ultimately, they're out to promote their recording artists. But coming to terms with each other is not that simple.

That was made palpably clear last month in Latin America when Sony Entertainment — which has invested in the HBO Olé group and launched its own Sony Entertainment Television channel under that network umbrella — opted not to participate in the Ya TV service that is launching in November.

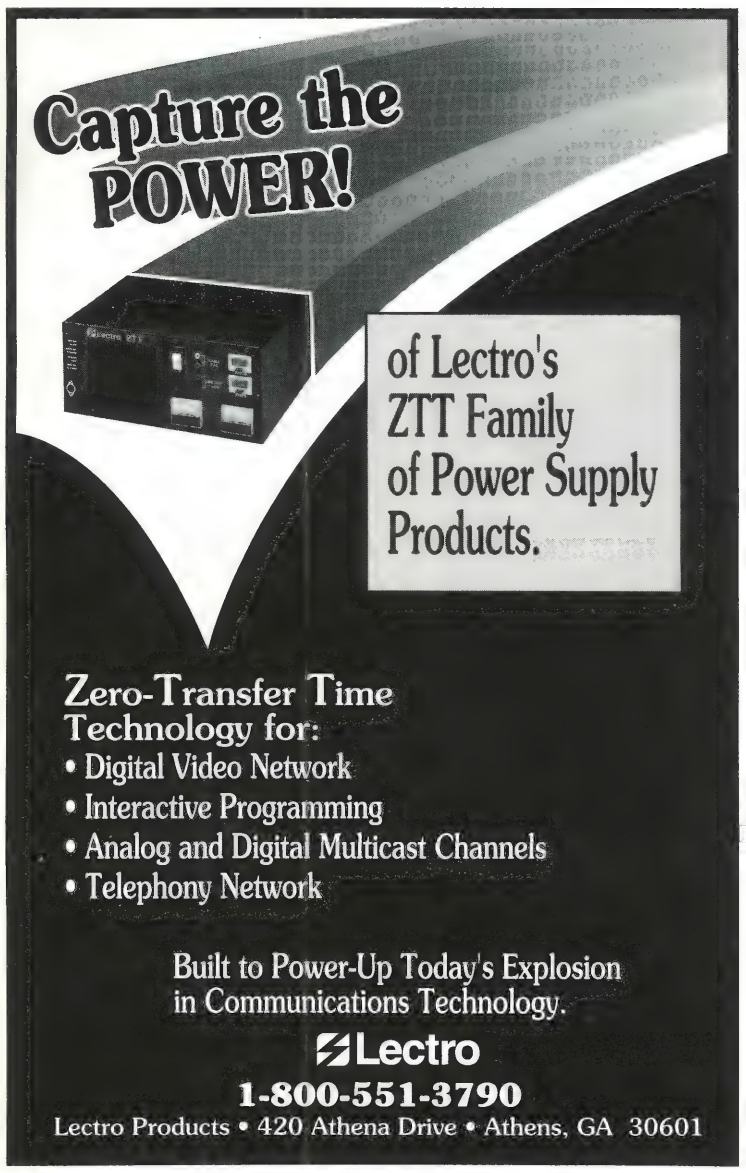
"It's difficult for [record] companies to work together," comments Vidich. "It's very unusual for them to act together on things — very difficult. I wouldn't characterize the negotiation of any of these overseas launches as easy."

He says just about everybody in the record-company enclave was surprised when Polygram opted to partner with MTV on its Asian services.

Despite those difficulties, the record companies have discovered that when they do make a channel work, it can fly — potentially much higher than MTV in certain markets. And that's primarily because they have chosen to create channels that are market-specific, rather than pan-regional.

Indeed, local music channels in general have proven that they can outrun MTV in local ratings. MuchMusic's Argentine joint-venture channel with RDH Productions is one shining example

Continued on Page 42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Source: *Multichannel News International* reports

* Planned services
** Service previously named New Country Network
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Rock 'n' Rollouts

Continued from Page 40

of that. Viva is another. And, if Peter Bogner has his way, Ya will be one as well.

"We're going out of our way to make [Ya] indigenous and reflective of a demo — 12 to 24," says Bogner, who's on the front line creating music channels at Time Warner Inc., as well as executive producer and director of programming at the company. Among his past start-up efforts was Viva in Germany. With the indigenous flavor in mind, Ya is splitting into northern and southern Latin American feeds shortly after its launch.

While MTV has remained largely pan-regional around the world, it has definitely responded to the popularity of local channels — in large part by using VH1 as a local-channel vehicle outside of the U.S., much in the same way that MTV countered a now-defunct Turner Broadcasting System Inc. music channel by birthing VH1 some 10 years ago.

But VH1 as a local weapon is not always the rule of thumb. MTV is, for example, in the throes of creating a channel specific to South Africa, and it's bringing its Asian strategy down to a more local level as well. The timing is crucial in the Pacific Rim.

VIDICH

MTV has received some criticism in that region for failing to sensitize its repertoire to local tastes. "MTV, at the moment, is treating [regional programming] as a token thing," says Joe Pollard, media director, regional unit at J. Walter Thompson, based in Hong Kong. In comparison, "when Star parted with MTV [over a year ago], they became very focused on making a localized channel."

But the times they are a changin'.

Since he became president of MTV Networks Asia some seven months ago, Peter Jamieson has begun the intricate process of further localizing the service. The original game plan, involving a Mandarin-language northern beam aimed at China and a southern, English-language service primarily targeted at the huge Indian market, has now been split again.

MTV Mandarin is transforming into MTV Pan China — with its base of power removed from MTV Asia's corporate headquarters in Singapore. "We're setting up offices in Taiwan, Hong Kong and in three mainland China cities," Jamieson says.

Jamieson is appointing a chief executive for not only that service, but for a new MTV India channel, to be "operational by Jan. 1," he says. The network group will have a total of four offices in India. "It will have the core of the English-language southern beam, but with four or five hours of India-specific programming," he explains. The English-language feed, renamed MTV ASEAN, will still be based in Singapore.

The unraveling of what had been a fairly pan-regional approach at MTV in Asia comes at a time when Star TV and its record-company partners are planning further localization of Channel V beyond its three current feeds.

"I think the way Channel V will evolve is ... with almost an infinite number of opt-outs," Davey explains. With the introduction of digital compression, he expects the three feeds to provide local content to innumer-

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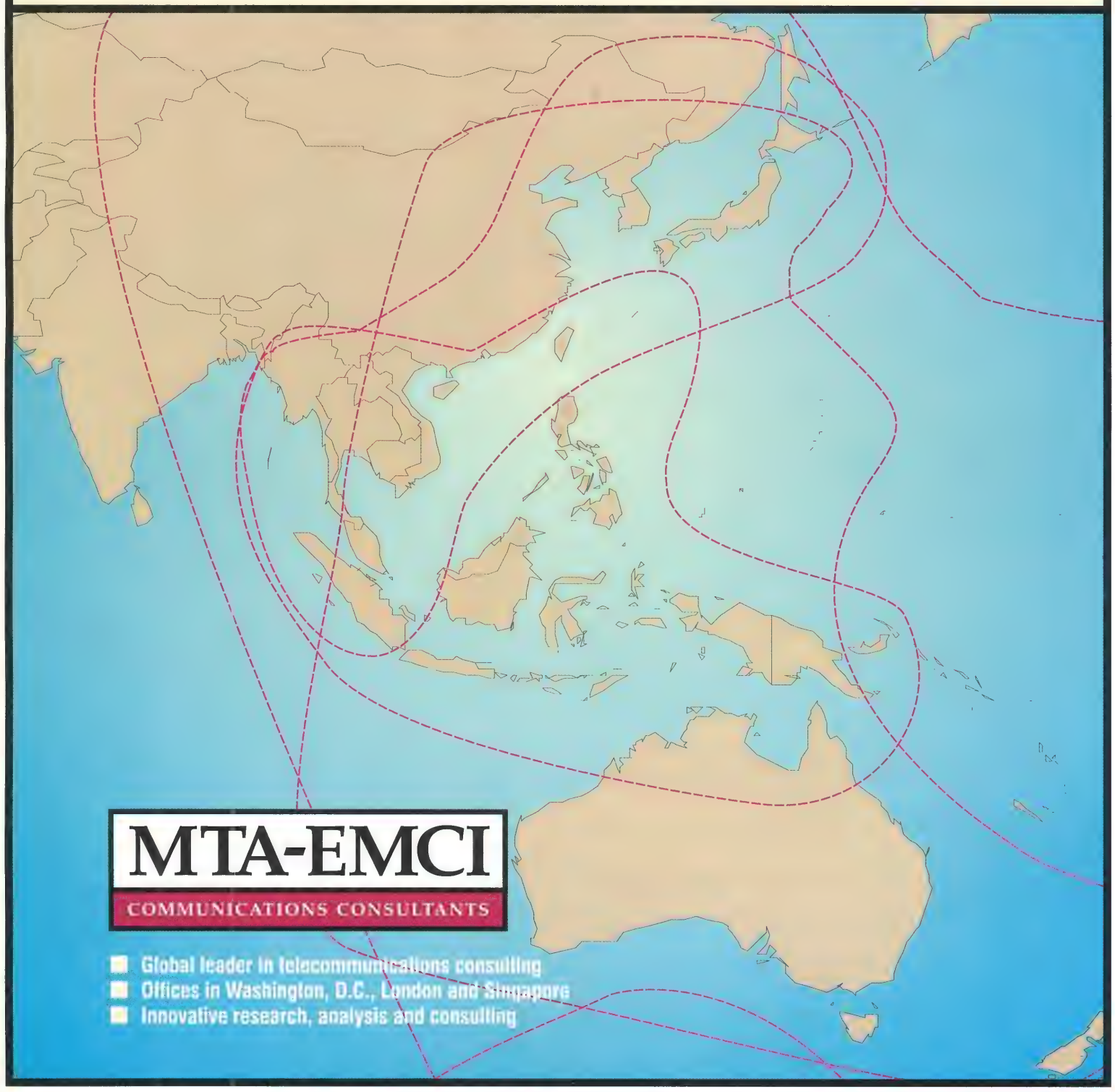

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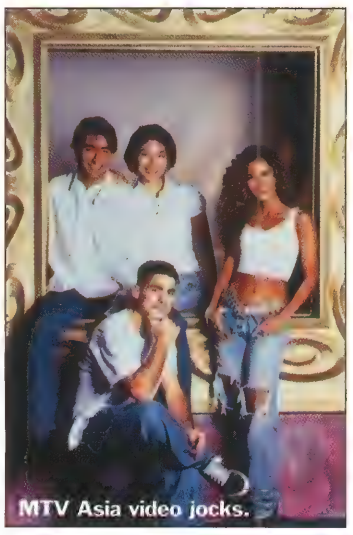
MTV Asia video jocks.

able individual markets.

"We're actively developing the franchise for launch in Australia, Europe, Eastern Europe and South America," he says. "We'll be taking some of the concepts we've developed here — the style, the attitude — and adapting [them] for local markets wherever we can," he explains.

The drive to localism is also very much in evidence at The Box. "I don't care what anyone says about common currency. Germans are Germans, and French are French, and Italians are Italians. They would prefer to have at least the voice-overs and intros in their own language," contends Alan McGlade, president and CEO of Boxbacker Video Jukebox Network Inc. The Box has played in the United Kingdom over the last three years, and it recently launched in Holland as well.

The localism is particularly significant in markets like India. "Every major channel in the country has a lot of music on it, and music is also very dominant in Hindi films," notes Iqbal Malhotra, director of Delhi-based Amalgamated Consulting, which is working with MTV on its Indian channel.

But all of the localism isn't likely to turn pan-regional services into dinosaurs — or go-go boots, for that matter.

"We're seeing a need for localism not instead of, but in addition to, all the very high-quality [pan-regional] channels," says Jay Switzer, vice president of programming at Chum Television, which owns MuchMusic.

And in Latin America, where the lion's share of the population speaks Spanish, larger-region channels are more logical in the opinion of some.

"It's important to have a local sense, but usually, young people are looking for an international feed," says Oswald Mendez, international media supervisor at McCann Erickson Worldwide, who specializes in Latin American advertising.

If you hold up the MTV Europe/Viva fight as the most pitched example of a pan-regional versus local channel competition, some surprising lessons seem to have been learned on both sides.

Viva was of much concern to MTV executives when it first launched because they saw the service as a consequence of MTV's protracted battle in Europe concerning the record companies' Video Performance Licensing copyright collective. MTV's objections to paying the large fees demanded by that group led to an investigation by the European Commission and a civil suit in the British courts.

"[Viva was] a declaration of war," says Freston. "The record companies were banding together to fight MTV. That's what they would say privately, but publicly, they said they needed a channel to play German music."

For the record companies, Viva turned out to be a stunning success, with profitability expected by year's end. And strangely, both the music companies and MTV itself say the fight also had positive effects.

BMI's Gassner sees a "psychological" benefit for the whole German recording industry with the new competition there: "Now, you have [German] artists that have a video home. You couldn't get German artists on MTV Europe before."

MTV officials say the fight with Viva has resulted in greater overall awareness of MTV Europe and the music channel genre in Germany. Peter Einstein, president/business director of MTV Networks Europe, says because of the sparring match, "MTV has probably generated more visibility for itself in the German market in the last two years than it did in the previous five years." —MCNI

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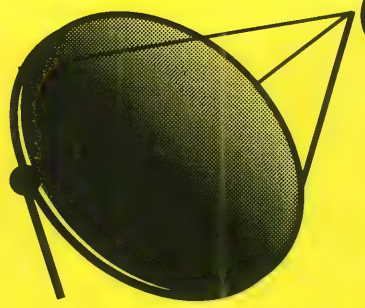

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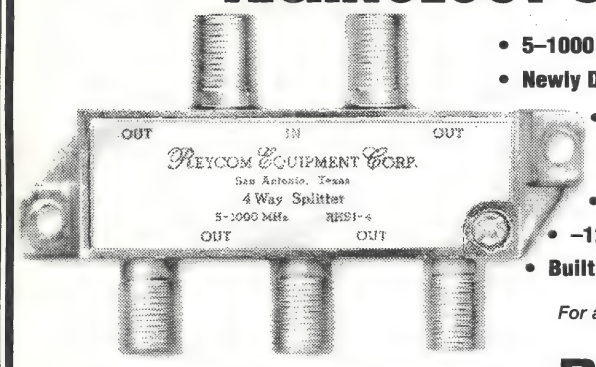

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Germ Warfare

Continued from Page 4

sity medical diplomas on the wall, the doctor had pictures of himself and what appeared to be large tour groups standing in front of Hyram hotels around the world.

He dispensed some capsules that I was later told by a veterinarian were used as bovine tranquilizers. The pills kicked in like Bruce Lee's leg through a door. I was unconscious for most of the three days that I spent in Taiwan. The rest of the time, I took sadistic pleasure in spewing microscopic spores at my hosts. I invited them to visit our recently redecorated booth at MIPCOM, and I split for Bombay.

Just the thought of India does something to me. Not only does it shake all of my human emotions due to the extraordinary poverty, but it also has a diabolical way of loosening my intestinal tract at about the time when I arrive at any hotel. By this point in my journey, the alien creature that I picked up at our corporate seance had decided to take up residence in a new location within my body.

I was supposed to negotiate a program-licensing deal with a satellite service, but I found myself on a treacherous course between the negotiating table and meditation sessions in the private facilities. Again, I found myself at the hotel's dispensary. The sari-clad assistant was courteous, but instructed me to return to my room and wait for the disease to "run its course."

But recognizing that Indians are a friendly lot for the most part, I continued to glad-hand my clients and partners.

The moment the German airliner departed for Munich, I felt a great sense of relief. Now that my physical presence was no longer being jarred by earthquakes deep within the core of my digestive system, I could once again concentrate on the business at hand.

When I arrived in Munich, I felt a slight chill. "No big deal," I thought — after all, I was in Europe. When the sweating began and my voice gave out, for the first time, I became absolutely frightened.

> I knew the pain would be excruciating when I was given a piece of fresh wood and instructed to bite down hard.

Imagine losing your voice in a nation of people that crack 100 decibels when they whisper.

Eventually, I saw a doctor. I knew the pain would be excruciating before the physician blasted an antibiotic into my left rump cheek, as I was given a piece of fresh wood and instructed to bite down hard.

Needless to say, my meetings were less than successful. About all I could do was press the flesh, smile, get intimidated by their bellicose voices and move on. It was excruciating to sit still for more than a nanosecond, so I bounced from cheek to cheek as I attempted to listen to my hosts' every word.

I took two days off in Paris to recover before arriving in Cannes. Our entire battalion was assembled at MIPCOM to conduct a frontal assault on the competition. Each of us had worked our territory in an effort to source intelligence about the enemy's plans.

My meeting agenda was full. I had choice dinner appointments set up with our key programming commanders and our principal clients.

When I received the cancellations, they were shocking. I was grilled on the potential of their defections to the competition. Through a series of late-night phone calls, I was able to gain a clear understanding of the situation. My top prospects stayed at home — with the flu. That certainly kept them out of enemy territory. But my credibility was dramatically tarnished.

The final day enabled me to recoup some respect among my fellow soldiers of celluloid fortune. The Germans showed up for lunch. Our general was impressive with his opening remarks. The formalities were shifted to our guests. No significant audible sounds emanated from them. Their voices were stolen by germ warfare — obviously the work of our sinister competitors, or so my colleagues thought.

I, of course, kept my mouth shut. In my opinion, it's always better to enjoy a good meal in France than to lose a battle to Germans, even when they're silent.

Jett Lagg is a figment of the fertile imagination of an international television executive. His anecdotes and opinions in no way reflect those of Multichannel News International.

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Canada's Rogers Butters Up The Clientele

By JAMES CARELESS

TORONTO — A two-year rate freeze, free extra outlets and no more negative-option billing: These are the goodies that Rogers Cablesystems is dangling before its subscribers in an effort to win back their trust.

That trust was sorely tried nine months ago, when Rogers and a number of other Canadian multiple system operators tried to launch a series of new, domestic specialty channels using some strong-arm tactics. In Rogers' case, the company's 2.6 million subscribers were told they'd have to take the new services — and pay more — or else lose some of the existing ones they received.

Stung by the public outcry at the time, Rogers backed down. Since then, the company's been working hard to rehabilitate its image.

Recently, it took out a number of full-page ads in newspapers across Canada that proclaimed, "Thanks for the wake-up call." In the ads, Rogers subscribers were promised "a series of actions which we hope will help us to earn your business."

WATSON

These include a rate freeze of about two years, until March 1, 1997; two free cable outlets (if customers buy a second one, making it a three-for-one deal); and two more superstations — WPIX New York and WSBK Boston — at no extra charge.

Most importantly, Rogers promised subscribers that "you will receive additional cable services only if you ask for them."

This promise means "the end of the negative option," says Rogers president and CEO Colin Watson. "We did a number of things in the name of Canadian culture which we simply aren't going to do in the future," he added, referring to the MSO's attempt to lure subscribers into picking up new domestic services in order to please government regulators.

Rogers has good reason to be leery of using negative-option marketing again. According to the Canadian Television Standards Council, an industry-funded watchdog, 60 percent of the calls it received between September 1994 and June 1995 were complaints about how the new services were launched.

Poor customer relations are the last thing cable MSOs like Rogers want right now, when direct-to-home satellite services are on the verge of launching. That's why the company has already improved many of its services to subscribers, namely by booking installation appointments on an hourly basis and by switching its billing system so that subscribers now get charged at month's end.

However, changing the company's relationship with customers won't come quickly, warned Darryl Bricker, senior vice president of Ottawa-based polling firm The Angus Reid Group.

"Whenever any of these situations goes the way that this one went ... it usually does take a lot of work to get these things turned around," says Bricker. —MCNI

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❑ 15 Trade Association
❑ 16 Other *(please specify)* _____

❸a In the performance of your job, which of the following do you authorize, specify, or purchase? *(check all that apply)*

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❑ 02 Programming
❑ 03 Other (please specify) _____
❑ 04 None of the above

❸b In the performance of your job, for which areas of the world do you authorize, specify, or purchase? *(check all that apply)*

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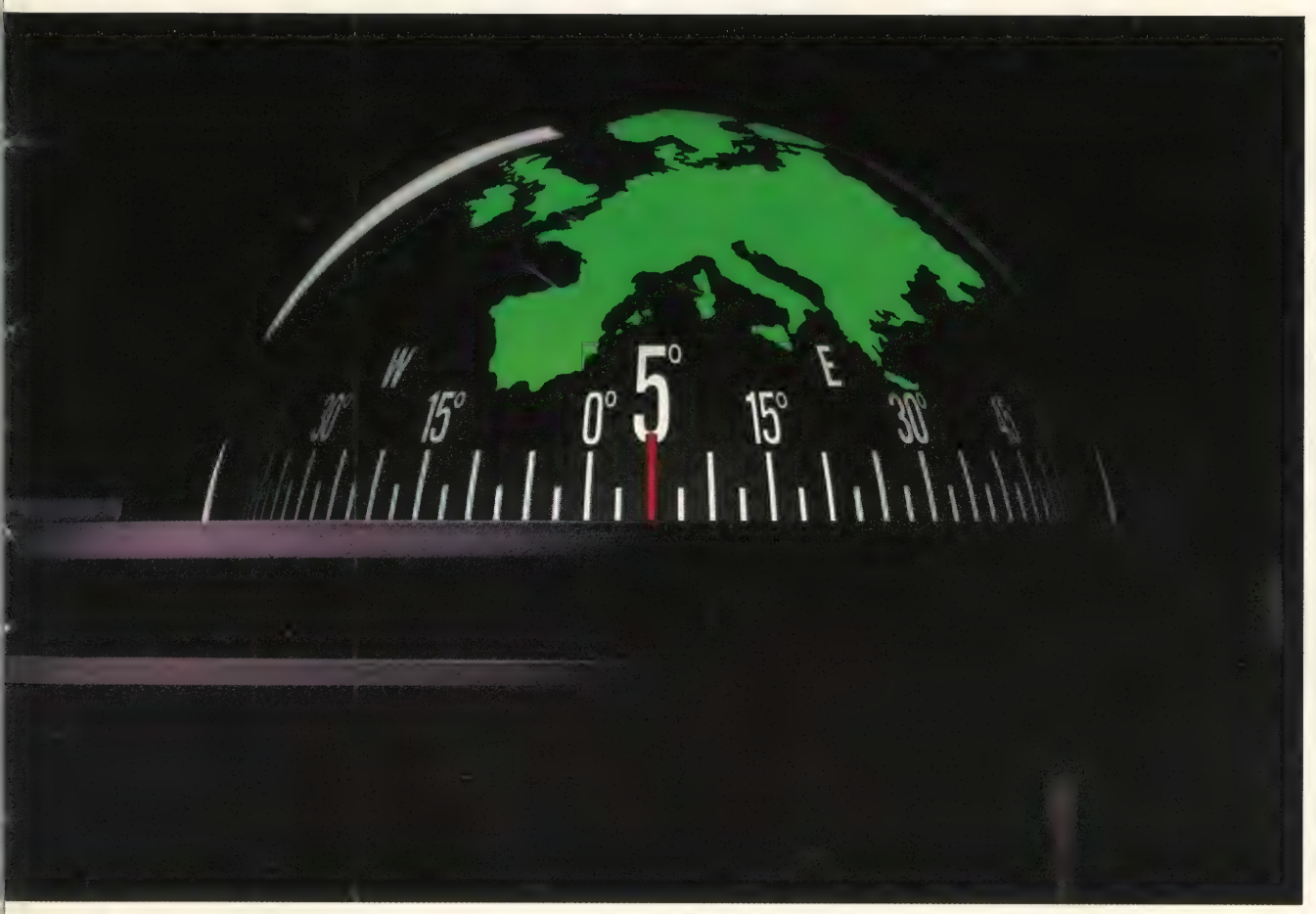

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PRIME DEPORTIVA

1800 W. Loop South - Suite 1110
Houston, TX 77027
Telephone: 1-713-621-7606
Fax: 1-713-621-7534

Carlos Delcastillo

QINTAR, INC.

Qintar, Inc.
700 Jefferson Avenue
Ashland, OR 97520
Telephone: 1-503-488-5500
Fax: 1-503-488-5567

Randy Tishkoff
President

RMS ELECTRONICS, INC.

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Secaucus, NJ 07094
Telephone: 1-201-601-9191
Fax: 1-201-601-0011

Gary Napolitano
President

RMS - UK Basingstoke England
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Fax: 44-256-882866

Lynn Walters
Director

SCIENTIFIC-ATLANTA, INC.

Broadband Communications Grp.
4261 Communications Drive
Norcross, GA 30093-2967
Telephone: 1-770-903-5533
Fax: 1-770-903-5795

Larry Enterline
President

John Buckett
VP, Sales and Marketing

Scientific-Atlanta U.K./Europe
Home Park Estate, Kings Langley
Herts WD48LZ, United Kingdom
Telephone: 44-1-923-271-421
Fax: 44-1-923-270-448

Kevin Wall
GM

Scientific-Atlanta Spain
Telephone: 34-1-415-6843
Fax: 34-1-415-6809

Gary Brust
Sales Manager, Southern Europe

Scientific-Atlanta Hong Kong
4th Floor, Dina House
Ruttonjee Centre
11 Duddell Street
Hong Kong
Telephone: 852-2-522-5059
Fax: 852-2-522-5624

Bob Burkholder
Managing Director

Scientific-Atlanta Shanghai Ltd.
Telephone: 8621-475-0770
Fax: 8621-475-0132

Robert Fonow
General Manager

Scientific-Atlanta Pty Limited
Unit 2, 2 Aquatic Drive
Frenchs Forest NSW 2086,
Australia
Telephone: 61-2-452-3388
Fax: 61-2-451-4432

Steve Dean
General Manager

Scientific-Atlanta Singapore
Telephone: 65-733-9805
Fax: 65-738-5806

Scientific-Atlanta Japan
Itochu Cable TV Engineering Corp.
Telephone: 81-3-3497-9711
Fax: 81-3-3497-0582

Kiochi Uwabo
President

TIMES FIBER COMMUNICATIONS

World Headquarters
Wallingford, CT 06492
Telephone: 1-203-265-8500
Fax: 1-203-265-8522

Jack P. Forde
Vice Chairman

TFC/UK
Telephone: (+44) 1279 600676
Fax: (+44) 1279 600677

John Robertson
Director of International Sales/Asia,
Europe

TFC/Latin Americas
Telephone: (770) 943-5208
Fax: (770) 271-7546

Cullen Davis
Latin American Sales

TFC/ Canada
Telephone: (613) 432-8557
Fax: (613) 432-6888

Terry Pierce
Sales/Operations

TFC/Asia
Telephone: 1-203-265-8500
Fax: 1-203-265-8522

Alice Geary

TRAVEL CHANNEL LATIN AMERICA

6161 Blue Lagoon Drive, Ste 190
Miami, FL 33126
Telephone: 1-305-266-6770
Fax: 1-305-266-1581

Jessica Rodriguez
President

Oscar Cury
Dir, Marketing & Corp. Comm.

TRILOGY COMMUNICATIONS, INC.

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Fax: 1-601-939-6637

Steve Youtsey
VP, International Operations

2792 36th Avenue
San Francisco, CA 94116
Telephone: 1-415-665-2207
Fax: 1-415-665-1908

Bao Kun Liu
Representative

Slotsgade 5, 1th
4800 Nykobing F. Denmark
Telephone: 45-54-85-2750
Fax: 45-54-85-2950

Teddy F. Anderson
Sales Manager Europe

TURNER INTERNATIONAL INC.

Turner International Far East, Ltd.
2501-2 Asia Pacific
Finance Tower
Citibank Plaza
3 Garden Road
Hong Kong
Telephone: 852-2826-4500
Fax: 852-2804-6415

Bryan McGuirk

Turner International Australia
Pty., Ltd.
Level 22, 111 Pacific Highway,
AGL Bldg.
North Sydney, NSW 2060
Australia
Telephone: 612-9900-3111
Fax: 612-9957-5161

Gwin Scott

Turner International Japan, Inc.
Nishiazabu - Mitsui Building,
Suite 803
4-17-30 Nishiazabu
Minato - ku, Tokyo 106
Japan
Telephone: 813-5466-1561
Fax: 813-5466-1560

William Kelly

Turner International India Pvt., Ltd.
The Taj Mahal Hotel, Suite 1112
One Mansingh Road
New Delhi 110 011
India
Telephone: 9111-301-6162
Ext. 1112
Fax: 9111-301-9480

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WAVETEK

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China
Wavetek Corporation
27/F Room GH, CITIC Building
19 Jianguomanwai Dajie
Beijing, 100004
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France
Wavetek S.A.
34, reu Necker
42000 Saint Etienne Cedex 1
Telephone: 33-77-478-900
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Germany
Wavetek GmbH
Gutenbergstrasse 2-4
D-85737 Ismaning
Telephone: 49-89-99641-6
Fax: 49-89-99641-160

Hong Kong
Wavetek Corporation
Room 3A, HKPC Building
78 Tat Chee Avenue
Kowloon, Hong Kong
Telephone: 852-2788-6221
Fax: 852-2788-6220

Japan
Wavetek Corporation
2-1, Fuchinobe, 2-Chome
Sagamihara-Shi, Kanagawa-
Ken 229
Telephone: 81-427-53-76-91
Fax: 81-427-59-42-70

Singapore
Wavetek Asia-Pacific Pte. Ltd.
51 Goldhill Plaza #14-04/05
Singapore 1130
Telephone: 65-746-6344
Fax: 65-747-5186

United Kingdom
Wavetek Limited
52 Hurricane Way
Norwich, Norfolk NR6 6J8
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Fax: 44-1603-483670

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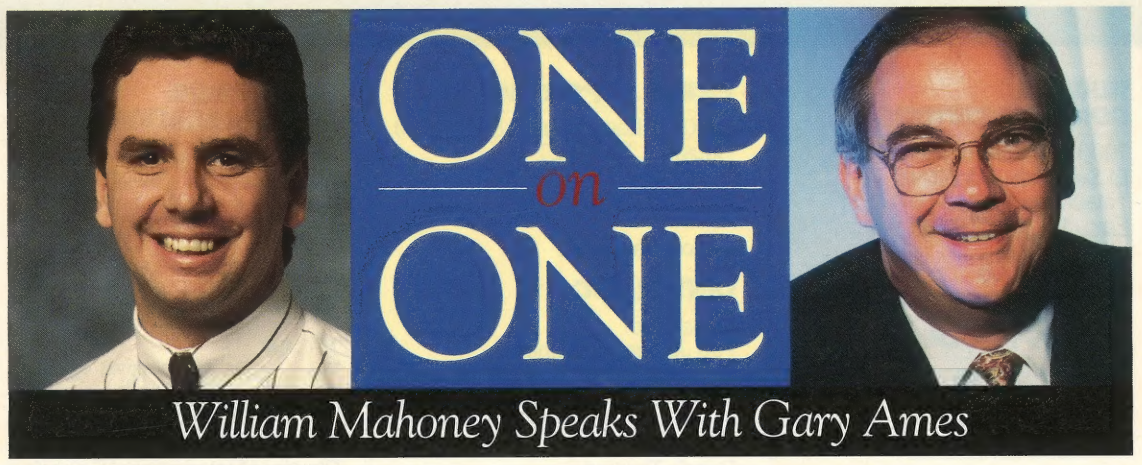

William Mahoney Speaks With Gary Ames

Baptism By Fire

It could be a management case study. You take an executive with a 28-year career in the U.S. telephone business. Make him head of your international TV and telecommunications operations, even though he doesn't have a stitch of international experience. Transfer him from Denver to London. Then throw in a bloody battle with the company that is your major ally around the world, just for good measure. That's the story of Gary Ames, the new president and CEO of U S West International.

One month after he took the top global post at U S West Inc. and came to Britain in August, the battle exploded between U S West and Time Warner Inc. over Time Warner's pending acquisition of Turner Broadcasting System Inc.

In the following, edited interview, the 51-year-old Ames reflects on his brief but frenzied career managing the most aggressive international portfolio of any U.S. telco, with investments in 16 countries in ventures worth $5 billion serving 2 million customers.

Mahoney: What would a stateside divorce between Time Warner and U S West mean for the pairing of the two companies around the world?

Ames: First of all, I have to be a little careful because we have the lawsuit going on and that will color my answer, obviously. I personally don't believe there necessarily has to be a divorce, so I tend to be a little optimistic that this is resolvable, and I think there is a business here between the two companies, including the TBS activity. Until there isn't any more possibility, I tend to be on the optimistic side that we need to figure out how, between these partners, we need to make this work and resolve the issues that are embedded in the litigation. And I think there are people back in Denver who are working on that motivation as well.

I don't think we should presume that it has to be a divorce.

Mahoney: Is there a contingency plan regarding the international alliances if there is a divorce?

Ames: No, there isn't, because we're presuming that we will be able to do business together internationally regardless, and I see no reason why we couldn't or shouldn't.

Mahoney: To pull back and look at the bigger picture, your company has been the most aggressive of the U.S. telcos internationally. What is your brief?

Ames: U S West's strengths are in wired local networks and wireless local networks, and there's no reason why that model can't work as well internationally across the board.

We've been successful, using the U.K. as an example, with [cable operator] TeleWest Communications and [cellular service] One 2 One in applying that model.

The U S West intent is to continue to invest fairly aggressively in international markets that allow for opportunities like TeleWest/One 2 One.

We have invested $1.5 billion so far, and we see no reason to slow down the investment internationally.

Mahoney: How much more do you expect to invest internationally?

Ames: In the next five years, we'd like to invest another $2 billion.

Mahoney: How much of your revenue comes from international?

Ames: The domestic business is $9 billion to $10 billion. International is about $800 million, so it's about 10 percent.

Mahoney: How else can you quantify your international returns?

Ames: As the analysts have tried to value the holdings of U S West, if you look back at TeleWest and One 2 One ... our share of TeleWest is valued at about $1.1 billion to $1.2 billion for a $400 million investment, and our share of One 2 One is probably worth $1 billion for a similar $350 million to $400 million investment.

Mahoney: How does U S West's $2 billion in international investment over the next five years compare to its investment in the United States?

Ames: The domestic phone company spends $2 billion a year.

Mahoney: You're off to a fast start in your new job. You've traveled 40 of your first 60 days. Where have you been?

Ames: I've been to Asia twice. I've been to Jakarta. We've got a new venture coming up in Jakarta the first of the year. We're going to run the West Java piece of Indonesia Telekom, so I've spent some time there.

I've spent some time in Hong Kong. I've spent some time with Titus [the cable/telephony partnership in Japan]. I've spent some time in Vietnam looking at a potential venture. I've spent five days in Spain. I'm headed for India and Russia.

By the end of the year, I will probably have made it to all of our existing things and taken a look at other projects that we are considering. That may be a way of life on an ongoing basis. **—MCNI**

A. GARY AMES

TITLE: President/CEO, U S West International

OVERSIGHT: Supervises investments in the United Kingdom, the Netherlands, Belgium, France, Hungary, Japan, the Czech Republic, Slovakia, Russia, Malaysia, Indonesia, Scandinavia, Sweden, Norway, Poland and Brazil.

INTERNATIONAL EXPERIENCE: None.

CREDENTIALS: Began in U.S. telephone business in 1967. Most recently ran U S West's U.S. telephone business.

STATISTICS: Age 51; attended Portland State University and University of Vienna.

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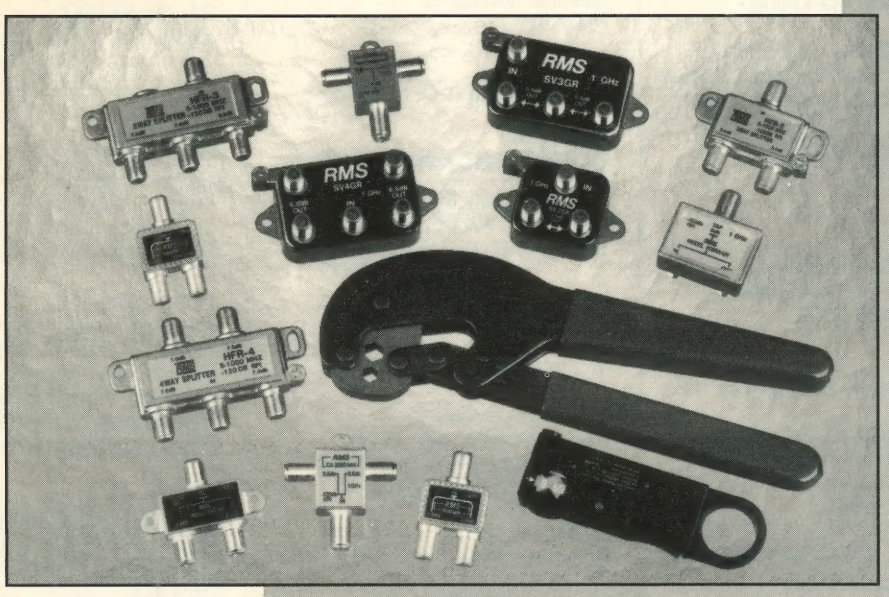

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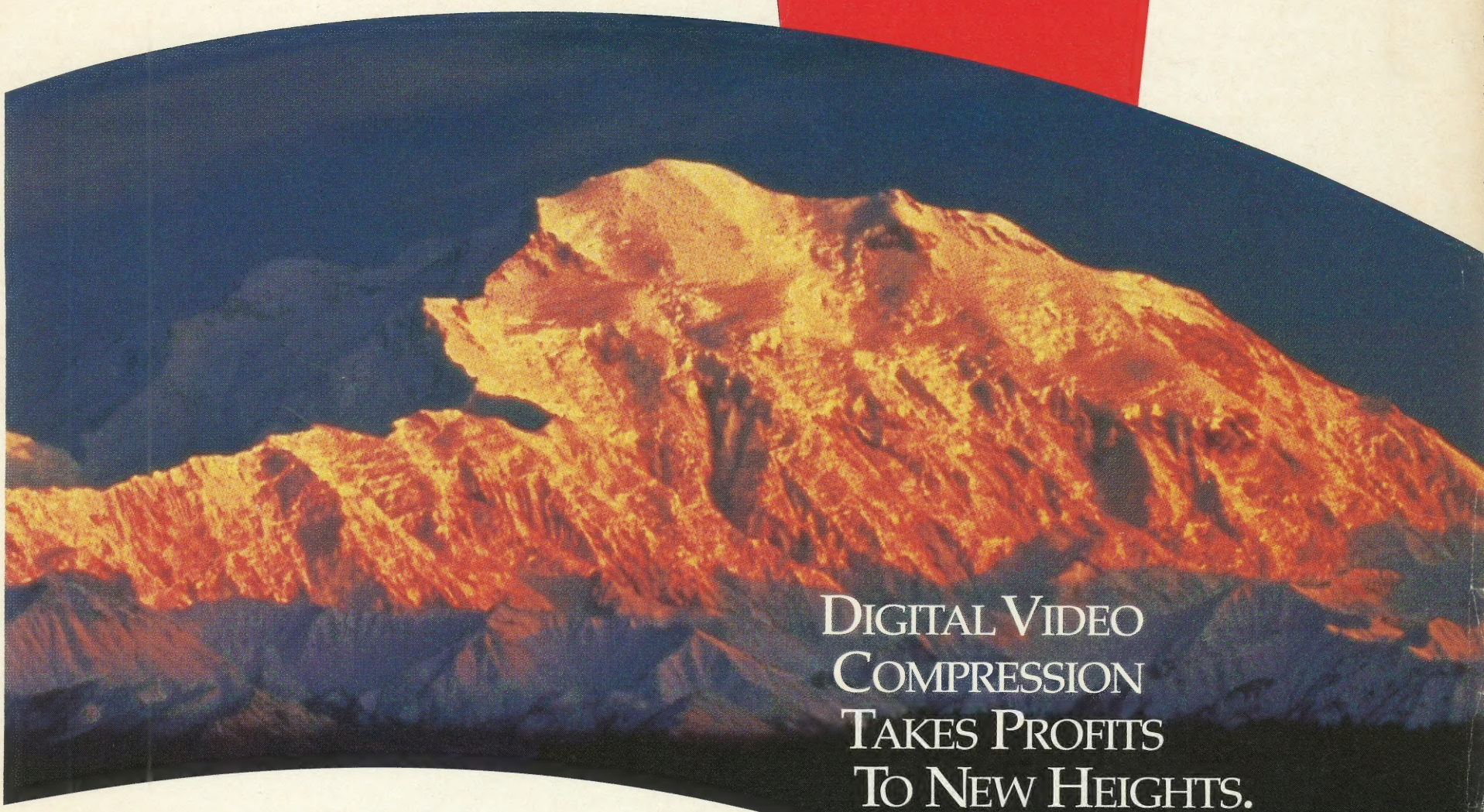

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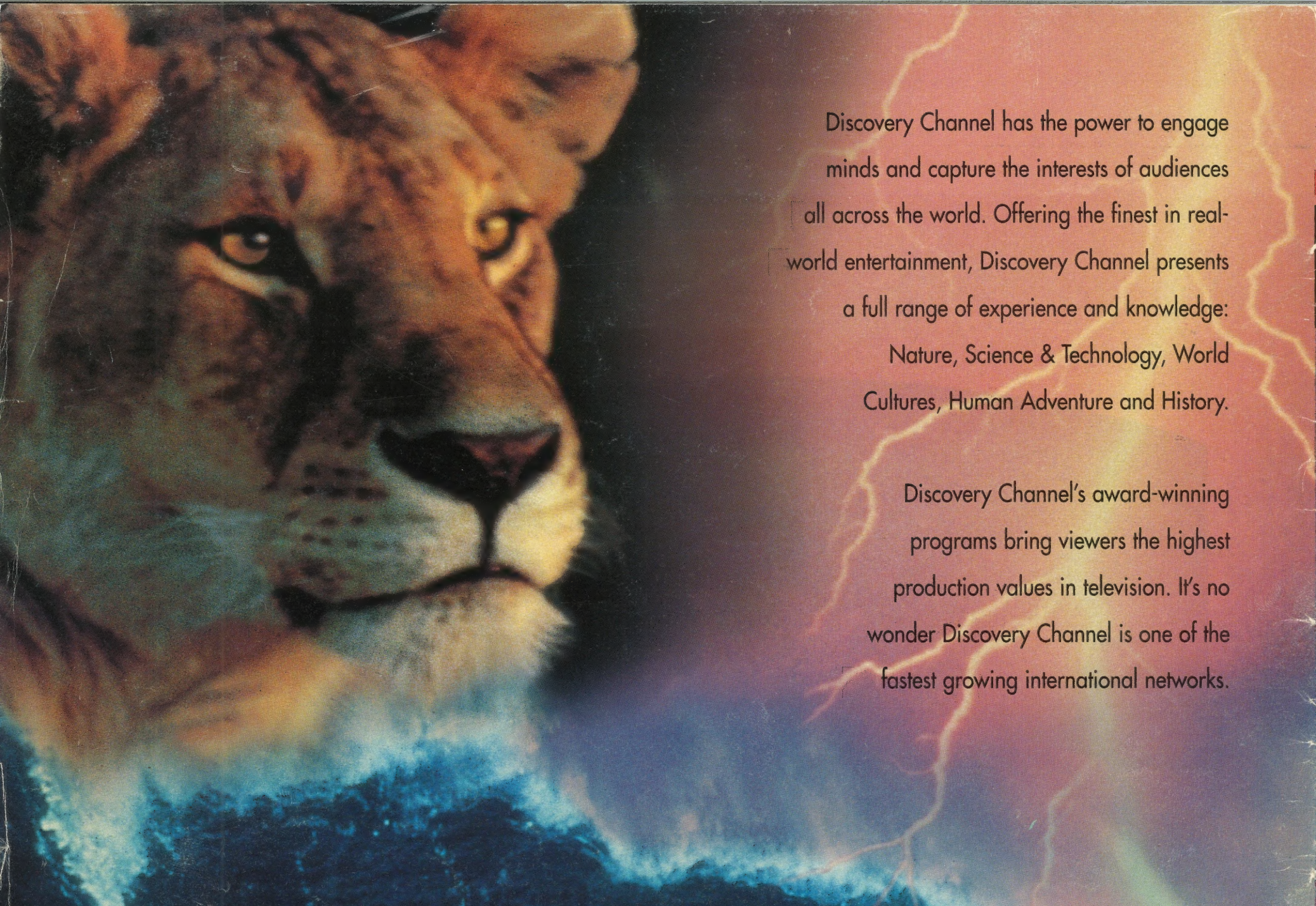

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Latin America
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Kevin-john McIntyre
Asia
852.2822.7100

Kiran Karnik
India
301.986.1999

Meg Pinto
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